

# MOGALAKWENA

## *MUNICIPALITY*

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# 2015/16

***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2016***

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

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**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**GENERAL INFORMATION**

**MAYOR**

M.P. Sebatjane

**SPEAKER**

R.A. Matsemela (Ms)

**CHIEF WHIP**

M.A. Tsebe

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor

Councillors:	K.Q. Dekker	L.D. Langa
	M.R. Lebelo (Ms)	H.S. Mathebula
	M.F. Mokwele	R.M. Molekoa
	N.S. Montane	M.M. Senoamadi (Ms)
	M.S. Tlhaku	

**PORTFOLIO CHAIRPERSONS**

Community Services	M.M. Senoamadi
Corporate Support Services	H.S. Mathebula
Electrical Services	M.F. Mokwele
Finance	L.D. Langa
Municipal Public Accounts Committee	M.M. Rapatsa
Planning & Developmental Services	M.S. Tlhaku
Special Projects	R.M. Molekoa
Technical Services	N.S. Montane
Traffic and Emergency Services	M.R. Lebelo

**GRADING OF THE LOCAL AUTHORITY**

Grade 6

**AUDITORS**

External:	Auditor General	Internal:	Own Staff
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**PRIMARY BANKER**

Standard Bank Limited

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**GENERAL INFORMATION (continued)**

**REGISTERED OFFICE**

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MOKOPANE  
0601

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MOKOPANE  
0600

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E-Mail: mthombenim@mogalakwena.gov.za

**MUNICIPAL MANAGER (Acting)**

M.M. Mthombeni      (015) 491-9661      mthombenim@mogalakwena.gov.za

**CHIEF FINANCIAL OFFICER (Acting)**

S. Mulenga      (015) 491-9606      mulengas@mogalakwena.gov.za

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 153, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during October 2016.

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**M.M. MTHOMBENI**  
**MUNICIPAL MANAGER (Acting)**  
28 October 2016

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**S. MULENGA**  
**CHIEF FINANCIAL OFFICER (Acting)**  
28 October 2016

## MEMBERS OF THE COUNCIL

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**MOGALAKWENA MUNICIPALITY**  
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**MEMBERS OF THE COUNCIL (continued)**

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**M.M. MTHOMBENI**  
**MUNICIPAL MANAGER (Acting)**  
28 October 2016

**MOGALAKWENA MUNICIPALITY**  
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**for the year ended 30 June 2016**

**FOREWORD**

During the 2015/16 financial year the municipality committed to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a major concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously disadvantaged. Further to ensure that compliance with Batho Pele principles is adhered to at all times. Our Councillors, Community Development Workers and Ward Committees are expected to discharge their responsibilities in the spirit of co-operative governance.

Capital infrastructure projects were mainly financed from external grant funding and the municipality has successfully finalised some of the projects as identified in the Integrated Development Plan. However, there has been under-spending in this regard and the municipality has already submitted a request for roll-over of unspent funds to both CoGHSTA and National Treasury.

The municipality will in the 2016/17 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2015/16 rolled-over projects.

I hereby wish to thank the members of the Executive Committee, management and their staff for their commitment during the 2015/16 year and hope that the 2016/17 targets set in the Integrated Development Plan will be met.

I thank you.

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**CLR R.A. MATSEMELA**  
**MAYOR**  
28 October 2016

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**STATEMENT BY THE MUNICIPAL MANAGER**

Mogalakwena Municipality is a Grade 6 local Authority whose ultimate objectives are to create a climate conducive for economic growth and job creation to expand and enhance our infrastructure, and to ensure that more people of our municipality have access to basic services.

The municipality's key responsibilities include the provision of basic services such as electricity, water and sanitation, refuse removal, roads and storm water and recreational facilities to make our municipality a pleasant place to live in. While doing this it is essential that the municipality's administration is well managed. The staff members of the municipality are hardworking and accountable, and the political office bearers come on board in terms of doing proper oversight. The administration of the municipality is slowly ensuring that the councils strategic objectives are being implemented.

The municipality encountered challenges in the year under review which resulted in the revenue collection rate dropping drastically to below 50% by the close of the 2015/16 financial year. The municipality, despite all the challenges it encountered, still managed to realise a surplus. This is an assurance that the municipality will still be a going concern.

On 3 August 2016 the country, and in particular local government, held elections to elect new municipal governance structures (political office bearers). Mogalakwena's governing party did not change, though it welcomed new parties forming part of the governing council.

As mentioned above already, the municipality experienced operational challenges regarding employees going on strike. This negatively impacted on the ability of the municipality to function normally. Services were not being delivered and all internal operational processes came to a standstill. This derailed the preparation of the annual financial statements for 2015/16. The inability to compile the annual financial statements meant that the annual financial statements would be submitted late.

The labour strike destabilised the administrative function to such an extent that there were 3 municipal managers deployed or appointed to act. The following people were either deployed or appointed to act as municipal manager: Mr P. Makondo from Waterberg District, Mr M.M. Mthombeni from internal staff and Mrs M.P. Nake from Coghsta. The instability at the level of head administration being the accounting officer did not assist the municipality to operate optimally. However, the situation has normalised and the municipality is striving to take up its position as one of the best performing in the country and in particular in the province.

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**M.M. MTHOMBENI**  
**MUNICIPAL MANAGER (Acting)**  
28 October 2016



# MOGALAKWENA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

### REPORT OF THE CHIEF FINANCIAL OFFICER

#### 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mogalakwena Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/16 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2016 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Payables and Unspent Conditional Grants.

#### 2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

##### 2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	378 586 972	158 447 171
Surplus / (Deficit) at the end of the Year	2 340 343 536	1 961 756 565
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	24.73%	25.85%
Remuneration of Councillors	2.28%	2.32%
Collection Costs	0.16%	0.26%
Depreciation and Amortisation	9.73%	10.01%
Impairment Losses	9.19%	7.81%
Repairs and Maintenance	14.01%	11.18%
Interest Paid	0.03%	0.11%
Bulk Purchases	22.79%	22.00%
Contracted Services	3.34%	8.22%
Grants and Subsidies Paid	3.20%	2.44%
General Expenses	10.48%	9.81%
Current Ratio:		
Trade Creditors Days	127	106
Debtors from Exchange Transactions Days	127	125

## 2.2 Performance Indicators:

INDICATOR	2016	2015
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	18.05%	18.26%
Outstanding Service Debtors to Revenue	39.34%	38.79%
Liquidity Management:		
Liquidity Ratio	1.42	2.04
Financial Viability:		
Debt Coverage	11.68	11.27
Cost Coverage	0.68	0.76
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	43.11%	29.87%
Capital Expenditure on Infrastructure to Total Capital Expenditure	90.71%	90.78%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	185 109 049	248 721 866	(25.58)	-	100.00
Operating income for the year	1 240 950 986	928 034 527	33.72	1 174 588 214	5.65
Appropriations for the year	(344 029 598)	(223 874 255)	53.67	-	100.00
	1 082 030 437	952 882 138	13.55	1 174 588 214	(7.88)
<b>Expenditure:</b>					
Operating expenditure for the year	862 364 015	769 587 356	12.06	896 887 027	(3.85)
Sundry transfers	-	(1 814 267)	(100.00)	-	-
Closing surplus / (deficit)	219 666 422	185 109 049	18.67	277 701 187	(20.90)
	1 082 030 437	952 882 138	13.55	1 174 588 214	(7.88)

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	559 181 299	466 418 029	19.89	525 687 884	6.37
Expenditure	416 250 783	380 128 445	9.50	441 486 885	(5.72)
Surplus / (Deficit)	142 930 517	86 289 585	65.64	84 200 999	69.75
Surplus / (Deficit) as % of total income	25.56%	18.50%		16.02%	

### 3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	147 248	143 175	2.84	149 754	(1.67)
Expenditure	170 813	122 474	39.47	188 935	(9.59)
Surplus / (Deficit)	(23 565)	20 701	(213.83)	(39 181)	(39.86)
Surplus / (Deficit) as % of total income	(16.00)%	14.46%		(26.16)%	

### 3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	55 657 996	70 916 850	(21.52)	57 653 307	(3.46)
Expenditure	56 240 787	43 383 273	29.64	72 010 775	(21.90)
Surplus / (Deficit)	(582 791)	27 533 577	(102.12)	(14 357 468)	(95.94)
Surplus / (Deficit) as % of total income	(1.05)%	38.83%		(24.90)%	

### 3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R162 967 240 (2015: R139 641 530). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	227 366 225	197 406 703	15.18	234 678 201	(3.12)
Expenditure	204 098 588	177 565 968	14.94	215 577 642	(5.32)
Surplus / (Deficit)	23 267 637	19 840 734	17.27	19 100 559	21.82
Surplus / (Deficit) as % of total income	10.23%	10.05%		8.14%	

### 3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R33 584 352 (2015: R29 664 079 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	398 598 218	193 149 769	106.37	356 419 068	11.83
Expenditure	185 603 045	168 387 196	10.22	167 622 790	10.73
Surplus / (Deficit)	212 995 174	24 762 573	760.15	188 796 278	12.82
Surplus / (Deficit) as % of total income	53.44%	12.82%		52.97%	

## 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R514 354 550 (2014/15: R229 023 306). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R514 354 550 was financed as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Capital Replacement Reserve	100 756 764	27 592 919	265.15	120 904 656	(16.66)
Grants and Subsidies	408 043 268	208 092 500	96.09	444 329 022	(8.17)
Public Contributions	-	59 345	(100.00)	-	-
Own Funds (Accumulated Surplus)	5 554 518	181 522	2 959.96	-	100.00
	514 354 550	235 926 286	118.01	565 233 678	(9.00)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Capital Replacement Reserve	19.59%	11.70%
Grants and Subsidies	79.33%	88.20%
Public Contributions	-	0.03%
Own Funds (Accumulated Surplus)	1.08%	0.08%
	100.00%	100.00%

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	277 701 187	214 462 042
Revenue variances	66 362 772	70 249 133
Expenditure variances:		
Employee Related Costs	31 123 255	8 744 400
Remuneration of Councillors	(228 142)	1 143 819
Collection Costs	121 852	(1 860 327)
Depreciation and Amortisation	(6 519 223)	(19 624 605)
Impairment Losses	(31 472 825)	(16 374 272)
Repairs and Maintenance	22 596 526	(21 894 568)
Interest Paid	(271 023)	(856 722)
Bulk Purchases	39 903	(8 770 258)
Contracted Services	96 173	(37 689 165)
Grants and Subsidies Paid	9 917 133	(7 217 927)
General Expenses	9 484 101	(21 864 378)
Loss on disposal of Property, Plant and Equipment	(364 717)	-
Actual surplus before appropriations	378 586 972	158 447 171

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	277 701 187	224 702 420
Executive and Council	(5 894 122)	6 299 111
Budget and Treasury Office	19 853 180	23 450 491
Corporate Services	14 438 131	21 368 903
Planning and Development	4 814 769	3 129 823
Health	30 911	37 517
Community and Social Services	1 543 941	195 482
Housing	15 616	48 399
Public Safety	3 293 005	2 209 493
Sport and Recreation	1 983 074	(16 047 025)
Environmental Protection	480 039	163 745
Waste Management	12 690 819	1 023 745
Waste Water Management	1 083 858	36 490 931
Roads and Transport	17 182 393	5 117 776
Water	24 198 896	(151 793 827)
Electricity	4 167 078	1 614 451
Other	1 004 195	435 735
Actual surplus before appropriations	378 586 972	158 447 171

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

## 5.2 Capital Budget:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Variance actual 2015/16 / 2014/15 R	Budgeted 2015/16 R	Variance actual/ budgeted R
Executive and Council	782 460	-	782 460	910 000	(127 540)
Budget and Treasury Office	41 651	57 076	(15 425)	55 652	(14 001)
Corporate Services	11 395 768	5 202 028	6 193 740	14 926 129	(3 530 361)
Community and Social Services	111 385	704 732	(593 346)	2 011 500	(1 900 115)
Sport and Recreation	23 307 878	4 861 918	18 445 960	29 698 636	(6 390 758)
Public Safety	115 500	1 765	113 735	1 019 500	(904 000)
Planning and Development	7 984	10 026	(2 043)	178 930	(170 946)
Roads and Transport	62 059 831	38 235 784	23 824 047	54 420 376	7 639 455
Environmental Protection	-	-	-	25 000	(25 000)
Electricity	5 723 143	9 209 981	(3 486 838)	30 493 236	(24 770 093)
Water	349 848 482	127 959 015	221 889 467	363 340 733	(13 492 251)
Waste Water Management	61 940 970	42 137 663	19 803 307	61 985 486	(44 516)
Waste Management	(1 061 165)	7 546 299	(8 607 464)	5 913 500	(6 974 665)
Other	80 664	-	80 664	255 000	(174 336)
	514 354 550	235 926 286	278 428 263	565 233 678	(50 879 128)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R2 340 343 536 (30 June 2015: R1 961 756 565) and is made up as follows:

Capital Replacement Reserve	327 793 110
Capitalisation Reserve	155 199 488
Donations and Public Contributions Reserve	1 012 505
Government Grants Reserve	1 636 672 011
Accumulated Surplus	219 666 422
	<u>2 340 343 536</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

## 7. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R76 593 297 as at 30 June 2016 (30 June 2015: R74 745 203) and is made up as follows:

Post-retirement Health Care Benefits Liability	67 344 358
Long Service Awards Liability	9 248 939
	<u>76 593 297</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 21 for more detail.

## 8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R11 195 858 as at 30 June 2016 (30 June 2015: R11 986 000) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	11 195 858
	<u>11 195 858</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

## 9. CURRENT LIABILITIES

Current Liabilities amounted R369 439 342 as at 30 June 2016 (30 June 2015: R257 133 630) and is made up as follows:

Consumer Deposits	Note 14	20 286 493
Provisions	Note 15	4 532 007
Payables from Exchange Transactions	Note 16	226 536 378
Payables from Non-exchange Transactions	Note 17	59 116 148
Unspent Conditional Grants and Receipts	Note 18	58 968 316
		<u>369 439 342</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R2 064 487 323 as at 30 June 2016 (30 June 2015: R1 632 893 035).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

## 11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 780 828 as at 30 June 2016 (30 June 2015: R2 227 206).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

## 12. INVESTMENT PROPERTY

The net value of Investment Properties were R2 645 961 as at 30 June 2016 (30 June 2015: R2 733 845).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

## 13. HERITAGE ASSETS

The net value of Heritage Assets were R5 736 342 as at 30 June 2016 (30 June 2015: R5 736 342).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 12 and Appendix "B" for more detail.

## 14. LONG-TERM RECEIVABLES

Long-term Receivables of R219 962 at 30 June 2016 (30 June 2015: R595 867) is made up as follows:

Debtors Capitalised Loans	1 719 098
Sale of Stand Loans	762 078
Study Cost Loans	43 380
	<hr/>
	2 524 556
Less: Short-term portion included in Current Assets	2 304 594
	<hr/>
	219 962

The decrease in the amount for Long-term Receivables is due to the increased amount in the short-term portion due to agreements expiring in the year 2014/15.

Refer to Note 13 for more detail.

## 15. CURRENT ASSETS

Current Assets amounted R722 701 618 as at 30 June 2016 (30 June 2015: R661 435 103) and is made up as follows:

Inventories	Note 2	9 166 275
Receivables from Exchange Transactions	Note 3	103 103 792
Receivables from Non-exchange Transactions	Note 4	39 805 132
VAT Receivable	Note 5	42 788 643
Cash and Cash Equivalents	Note 6	525 442 644
Operating Lease Assets	Note 7	90 538
Current Portion of Long-term Debtors	Note 13	2 304 594
		<hr/>
		722 701 618

The increase in the amount for Current Assets is mainly due to the increased amount for Cash and Cash Equivalents due to the non-payment of Payables.

Refer to the indicated Notes for more detail.



## **16. INTER-GOVERNMENTAL GRANTS**

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 28, and Appendix "F" for more detail.

## **17. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

## **18. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**S. MULENGA**

**CHIEF FINANCIAL OFFICER (Acting)**

28 October 2016

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

		Actual	
	Note	2016 R	2015 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>722 701 618</b>	<b>661 435 103</b>
Inventories	2	9 166 275	9 608 220
Receivables from Exchange Transactions	3	103 103 792	88 745 236
Receivables from Non-exchange Transactions	4	39 805 132	34 612 865
VAT Receivable	5	42 788 643	-
Cash and Cash Equivalents	6	525 442 644	524 537 159
Operating Lease Receivables	7	90 538	90 826
Current Portion of Long-term Receivables	8	2 304 594	3 840 797
<b>Non-Current Assets</b>		<b>2 074 870 415</b>	<b>1 644 186 295</b>
Property, Plant and Equipment	9	2 064 487 323	1 632 893 035
Intangible Assets	10	1 780 828	2 227 206
Investment Property	11	2 645 961	2 733 845
Heritage Assets	12	5 736 342	5 736 342
Long-term Receivables	13	219 962	595 867
<b>Total Assets</b>		<b>2 797 572 033</b>	<b>2 305 621 398</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>369 439 342</b>	<b>257 133 630</b>
Consumer Deposits	14	20 286 493	20 065 499
Provisions	15	4 532 007	4 196 266
Payables from Exchange Transactions	16	226 536 378	156 692 018
Payables from Non-exchange Transactions	17	59 116 148	47 157 634
Unspent Conditional Grants and Receipts	18	58 968 316	16 903 602
VAT Payable	19	-	12 118 612
<b>Non-Current Liabilities</b>		<b>87 789 155</b>	<b>86 731 203</b>
Employee Benefit Liabilities	21	76 593 297	74 745 203
Non-current Provisions	22	11 195 858	11 986 000
<b>Total Liabilities</b>		<b>457 228 497</b>	<b>343 864 833</b>
<b>Total Assets and Liabilities</b>		<b>2 340 343 536</b>	<b>1 961 756 565</b>
<b>NET ASSETS</b>		<b>2 340 343 536</b>	<b>1 961 756 565</b>
Accumulated Surplus / (Deficit)	23	2 340 343 536	1 961 756 565
<b>Total Net Assets</b>		<b>2 340 343 536</b>	<b>1 961 756 565</b>

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Actual	
		2016	2015
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	24	55 459 979	50 368 506
Fines	25	3 163 638	5 165 864
Licences and Permits	26	77 531	32 395
Income from Agency Services	27	8 125 789	7 940 469
Government Grants and Subsidies Received	28	783 769 534	527 245 141
Public Contributions and Donations	29	1 757 804	2 563 989
<b>Revenue from Exchange Transactions</b>			
Service Charges	30	296 902 668	258 654 122
Rental of Facilities and Equipment	31	571 872	906 903
Interest Earned - External Investments	32	38 940 023	34 756 864
Interest Earned - Outstanding Debtors	32	16 228 989	17 969 233
Other Revenue	33	3 971 266	4 310 511
Gains on Disposal of Property, Plant and Equipment	46	-	-
Profit on Sale of Land:-	34	31 981 893	18 120 530
Sale of Land		31 981 893	18 120 530
Cost of Sales		-	-
<b>Total Revenue</b>		<b>1 240 950 986</b>	<b>928 034 527</b>
<b>EXPENDITURE</b>			
Employee Related Costs	35	213 228 681	198 930 704
Remuneration of Councillors	36	19 703 859	17 832 310
Collection Costs	37	1 396 442	1 980 327
Depreciation and Amortisation	38	83 868 075	77 064 895
Impairment Losses	39	79 293 475	60 098 395
Repairs and Maintenance	40	120 857 876	86 018 288
Finance Costs	41	271 023	856 722
Bulk Purchases	42	196 551 593	169 305 609
Contracted Services	43	28 844 404	63 255 721
Grants and Subsidies Paid	44	27 619 201	18 766 620
General Expenses	45	90 364 668	75 477 764
Loss on Disposal of Property, Plant and Equipment	46	364 717	-
<b>Total Expenditure</b>		<b>862 364 015</b>	<b>769 587 356</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>378 586 972</b>	<b>158 447 171</b>

Refer to Budget Statement for explanation of budget variances

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016**

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2015</b>		
Balance at 30 June 2014	1 801 495 127	1 801 495 127
Change in Accounting Policy (Note 47)	-	-
Correction of Error (Note 48)	1 814 267	1 814 267
<b>Restated Balance</b>	<b>1 803 309 394</b>	<b>1 803 309 394</b>
Surplus / (Deficit) for the year	158 447 171	158 447 171
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2015</b>	<b>1 961 756 565</b>	<b>1 961 756 565</b>
<b>2016</b>		
Change in Accounting Policy (Note 47)	-	-
Correction of Error (Note 48)	(4 426 031)	(4 426 031)
<b>Restated Balance</b>	<b>1 961 756 565</b>	<b>1 961 756 565</b>
Surplus / (Deficit) for the year	378 586 972	378 586 972
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2016</b>	<b>2 340 343 536</b>	<b>2 340 343 536</b>

Details on the movement of the Funds and Reserves are set out in Note 23.

**MOGALAKWENA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

		Actual	
	Note	2016	2015
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	24	42 300 749	43 072 433
Government Grant and Subsidies	28	825 834 248	472 720 224
Public Contributions and Donations	29	1 757 804	2 563 989
Service Charges	30	215 031 688	202 446 381
Interest Received	32	38 981 810	35 339 420
Other Receipts	33	29 912 955	67 007 236
<b>Payments</b>			
Employee Related Costs	35	(211 044 845)	(188 558 298)
Remuneration of Councillors	36	(19 703 859)	(17 832 310)
Interest Paid	41	(271 023)	(856 722)
Suppliers Paid	43	(276 905 836)	(253 606 955)
Other Payments	45	(108 211 940)	(87 258 945)
VAT Receivable / Payable		(54 907 254)	(4 809 833)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>482 774 496</b>	<b>270 226 620</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(514 354 550)	(227 998 457)
Purchase of Intangible Assets	10	-	(1 024 850)
Profit on Sale of Land	34	31 981 893	18 120 530
Decrease / (Increase) in Long-term Receivables	13	503 646	926 225
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(481 869 011)</b>	<b>(209 976 552)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>905 485</b>	<b>60 250 068</b>
Cash and Cash Equivalents at Beginning of Period		524 537 159	464 287 091
Cash and Cash Equivalents at End of Period	6	525 442 644	524 537 159

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	9 243 837	-	9 243 837	-	-	9 243 837	9 166 275	-	(77 562)	99.16	99.16
Receivables from Exchange Transactions	68 021 192	-	68 021 192	-	-	68 021 192	103 103 792	-	35 082 600	151.58	151.58
Receivables from Non-exchange Transactions	129 934 081	-	129 934 081	-	-	129 934 081	39 805 132	-	(90 128 949)	30.63	30.63
VAT Receivable	-	-	-	-	-	-	42 788 643	-	42 788 643	0.00	0.00
Cash and Cash Equivalents	296 217 412	-	296 217 412	-	-	296 217 412	525 442 644	-	229 225 232	177.38	177.38
Operating Lease Receivables	-	-	-	-	-	-	90 538	-	90 538	0.00	0.00
Current Portion of Long-term Receivables	5 166 231	-	5 166 231	-	-	5 166 231	2 304 594	-	(2 861 637)	44.61	44.61
	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Assets</b>											
Property, Plant and Equipment	2 204 136 405	-	2 204 136 405	-	-	2 204 136 405	2 064 487 323	-	(139 649 082)	93.66	93.66
Intangible Assets	2 677 080	-	2 677 080	-	-	2 677 080	1 780 828	-	(896 252)	66.52	66.52
Investment Property	2 609 444	-	2 609 444	-	-	2 609 444	2 645 961	-	36 517	101.40	101.40
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	6 056 596	-	6 056 596	-	-	6 056 596	219 962	-	(5 836 634)	3.63	3.63
	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	2 724 062 278	-	2 724 062 278	-	-	2 724 062 278	2 797 572 033	-	73 509 755	102.70	102.70
<b>Current Liabilities</b>											
Consumer Deposits	21 324 614	-	21 324 614	-	-	21 324 614	20 286 493	-	(1 038 121)	95.13	95.13
Provisions	3 030 146	-	3 030 146	-	-	3 030 146	4 532 007	-	1 501 861	149.56	149.56
Payables from Exchange Transactions	131 634 665	-	131 634 665	-	-	131 634 665	226 536 378	-	94 901 713	172.09	172.09
Payables from Non-exchange Transactions	-	-	-	-	-	-	59 116 148	-	59 116 148	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	58 968 316	-	58 968 316	0.00	0.00
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	81 887 470	-	81 887 470	-	-	81 887 470	76 593 297	-	(5 294 173)	93.53	93.53
Non-current Provisions	6 744 260	-	6 744 260	-	-	6 744 260	11 195 858	-	4 451 598	166.01	166.01
<b>Total Liabilities</b>	244 621 155	-	244 621 155	-	-	244 621 155	457 228 497	-	212 607 342	186.91	186.91
<b>Total Assets and Liabilities</b>	<b>2 479 441 123</b>	<b>-</b>	<b>2 479 441 123</b>	<b>-</b>	<b>-</b>	<b>2 479 441 123</b>	<b>2 340 343 536</b>	<b>-</b>	<b>(139 097 587)</b>	<b>94.39</b>	<b>94.39</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	2 479 441 123	-	2 479 441 123	-	-	2 479 441 123	2 340 343 536	-	(139 097 587)	94.39	94.39
<b>Total Net Assets</b>	<b>2 479 441 123</b>	<b>-</b>	<b>2 479 441 123</b>	<b>-</b>	<b>-</b>	<b>2 479 441 123</b>	<b>2 340 343 536</b>	<b>-</b>	<b>(139 097 587)</b>	<b>94.39</b>	<b>94.39</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for and restatement done in terms of GRAP 23.

Receivables from Non-exchange Transactions:

It has been under-budgeted for Assessment Rates Receivables.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been over-budgeted for Arrangement Debtors.

Intangible Assets:

Capital expenditure budgeted for, not realised.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets.

Long-term Receivables:

It was over-budgeted for Arrangement Debtors.

Provisions:

It was under-budgeted for Performance Bonuses, Post Retirement Medical Aid Benefit Liability and Long-term Service Liability.

Payables from Exchange Transactions:

It was over-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	54 402 557	-	54 402 557	-	2 000 000	56 402 557	55 459 979	-	(942 578)	98.33	101.94
Fines	1 815 233	-	1 815 233	-	-	1 815 233	3 163 638	-	1 348 405	174.28	174.28
Licences and Permits	74 212	-	74 212	-	-	74 212	77 531	-	3 319	104.47	104.47
Income for Agency Services	8 256 209	-	8 256 209	-	150 000	8 406 209	8 125 789	-	(280 420)	96.66	98.42
Government Grants and Subsidies Received	667 878 563	-	667 878 563	-	63 673 880	731 552 443	374 349 598	-	(357 202 845)	51.17	56.05
Public Contributions and Donations	1 756 504	-	1 756 504	-	-	1 756 504	1 757 804	-	1 300	100.07	100.07
<b>Revenue from Exchange Transactions</b>											
Service Charges	305 468 831	-	305 468 831	-	5 000 000	310 468 831	296 902 668	-	(13 566 163)	95.63	97.20
Rental of Facilities and Equipment	1 080 542	-	1 080 542	-	-	1 080 542	571 872	-	(508 670)	52.92	52.92
Interest Earned - External Investments	26 229 700	-	26 229 700	-	1 000 000	27 229 700	38 940 023	-	11 710 323	143.01	148.46
Interest Earned - Outstanding Debtors	2 800 101	-	2 800 101	-	-	2 800 101	16 228 989	-	13 428 888	579.59	579.59
Other Income	2 290 953	-	2 290 953	-	517 929	2 808 882	3 971 266	-	1 162 384	141.38	173.35
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	10 193 000	-	10 193 000	-	20 000 000	30 193 000	31 981 893	-	1 788 893	105.92	313.76
<b>Total Revenue</b>	<b>1 082 246 405</b>	<b>-</b>	<b>1 082 246 405</b>	<b>-</b>	<b>92 341 809</b>	<b>1 174 588 214</b>	<b>831 531 050</b>	<b>-</b>	<b>(343 057 164)</b>	<b>70.79</b>	<b>76.83</b>
<b>Expenditure</b>											
Employee Related Costs	241 237 380	-	241 237 380	-	3 114 556	244 351 936	213 228 681	-	(31 123 255)	87.26	88.39
Remuneration of Councillors	19 475 717	-	19 475 717	-	-	19 475 717	19 703 859	228 142	228 142	101.17	101.17
Collection Costs	1 811 899	-	1 811 899	-	(293 605)	1 518 294	1 396 442	-	(121 852)	91.97	77.07
Depreciation and Amortisation	77 348 852	-	77 348 852	-	-	77 348 852	83 868 075	6 519 223	6 519 223	108.43	108.43
Impairment Losses	47 820 650	-	47 820 650	-	-	47 820 650	79 293 475	31 472 825	31 472 825	165.81	165.81
Repairs and Maintenance	65 916 877	-	65 916 877	-	77 537 525	143 454 402	120 857 876	-	(22 596 526)	84.25	183.35
Finance Costs	-	-	-	-	-	-	271 023	271 023	271 023	0.00	0.00
Bulk Purchases	197 974 999	-	197 974 999	-	(1 383 503)	196 591 496	196 551 593	-	(39 903)	99.98	99.28
Contracted Services	30 841 670	-	30 841 670	-	(1 901 093)	28 940 577	28 844 404	-	(96 173)	99.67	93.52
Grants and Subsidies Paid	26 998 088	-	26 998 088	-	10 538 246	37 536 334	27 619 201	-	(9 917 133)	73.58	102.30
General Expenses	73 781 593	-	73 781 593	-	26 067 176	99 848 769	90 364 668	-	(9 484 101)	90.50	122.48
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	364 717	364 717	364 717	0.00	0.00
<b>Total Expenditure</b>	<b>783 207 725</b>	<b>-</b>	<b>783 207 725</b>	<b>-</b>	<b>113 679 302</b>	<b>896 887 027</b>	<b>862 364 015</b>	<b>38 855 930</b>	<b>(34 523 012)</b>	<b>96.15</b>	<b>110.11</b>
<b>Surplus/(Deficit)</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>(30 832 965)</b>	<b>(38 855 930)</b>	<b>(308 534 152)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	409 419 936	409 419 936	409 419 936	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>378 586 972</b>	<b>370 564 006</b>	<b>100 885 785</b>	<b>136.33</b>	<b>126.60</b>



***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

It was under-budgeted for Fines.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Rental of Facilities and Equipment:

It was over-budgeted for Rental of Facilities and Equipment - negligible amount.

Interest Earned - External Investments:

Interest Earned exceeded the budgetary expectations due to funds not spent, and creditors not paid and increase in interest rate.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Other Income:

Other Income received was less than budgetary expectations.

Employee Related Costs:

Several vacant positions were not filled during 2015/16.

Impairment Losses:

It was under-budgeted for Impairment Losses on Receivables.

Finance Costs:

It was not budgeted for Interest and Penalties on late payments made.

Grants and Subsidies Paid:

Over budgeted for Free Basic Services - expense debited to Revenue Foregone.

General Expenses :

It was overbudgeted for General Expenses.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

Additional funds were received after the finalisation of the Adjustment Budget, late February to June 2016, which resulted in the major portion of the virements recorded in the table above.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	910 000	-	910 000	-	-	910 000	782 460	-	(127 540)	85.98	85.98
Budget and Treasury Office	978 500	-	978 500	-	(922 848)	55 652	41 651	-	(14 001)	74.84	4.26
Corporate Services	10 033 000	-	10 033 000	-	4 893 129	14 926 129	11 395 768	-	(3 530 361)	76.35	113.58
Community and Social Services	2 675 000	-	2 675 000	-	(663 500)	2 011 500	111 385	-	(1 900 115)	5.54	4.16
Sport and Recreation	25 725 000	-	25 725 000	-	3 973 636	29 698 636	23 307 878	-	(6 390 758)	78.48	90.60
Public Safety	988 900	-	988 900	-	30 600	1 019 500	115 500	-	(904 000)	11.33	11.68
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Planning and Development	178 930	-	178 930	-	-	178 930	7 984	-	(170 946)	4.46	4.46
Roads and Transport	51 401 000	-	51 401 000	-	3 019 376	54 420 376	62 059 831	7 639 455	7 639 455	114.04	120.74
Environmental Protection	25 000	-	25 000	-	-	25 000	-	-	(25 000)	0.00	0.00
Electricity	24 628 850	-	24 628 850	-	5 864 386	30 493 236	5 723 143	-	(24 770 093)	18.77	23.24
Water	219 462 025	-	219 462 025	-	143 878 708	363 340 733	349 848 482	-	(13 492 251)	96.29	159.41
Waste Water Management	66 418 975	-	66 418 975	-	(4 433 489)	61 985 486	61 940 970	-	(44 516)	99.93	93.26
Waste Management	6 208 500	-	6 208 500	-	(295 000)	5 913 500	(1 061 165)	-	(6 974 665)	0.00	0.00
Other	255 000	-	255 000	-	-	255 000	80 664	-	(174 336)	31.63	31.63
<b>Total Capital Expenditure</b>	<b>409 888 680</b>	<b>-</b>	<b>409 888 680</b>	<b>-</b>	<b>155 344 998</b>	<b>565 233 678</b>	<b>514 354 550</b>	<b>7 639 455</b>	<b>(50 879 128)</b>	<b>91.00</b>	<b>125.49</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Savings realised on capital items budgeted for and not procured.											
Budget and Treasury Office: Savings realised on capital items budgeted for and not procured - Budget rolled over to 2016/17 for procurement of printers.											
Corporate Services: Savings realised on capital items budgeted for and not procured - Budget rolled over to 2016/17 for completion of new office extensions.											
Community and Social Services: Savings realised on capital items budgeted for and not procured.											
Sport and Recreation: Projects not finalised - Budget rolled over to 2016/17 for completion in ther next financial year.											
Public Safety: Savings realised on capital items budgeted for and not procured.											
Planning and Development: Negligent amount.											
Environmental Protection: Savings realised on capital items budgeted for and not procured.											
Electricity: Projects not finalised - Budget rolled over to 2016/17 for completion in the next financial year. Electrification of villages under operational budget.											
Waste Management: Projects not finalised - Budget rolled over to 2016/17 for completion in the next financial year.											
Other: Negligent amount.											

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Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	54 402 557	-	54 402 557	-	-	54 402 557	42 300 749	-	(12 101 808)	77.76	77.76
Grants	667 878 563	-	667 878 563	-	-	667 878 563	825 834 248	157 955 685	157 955 685	123.65	123.65
Public Contributions and Donations	-	-	-	-	-	-	1 757 804	1 757 804	1 757 804	0.00	0.00
Service Charges	305 468 831	-	305 468 831	-	-	305 468 831	215 031 688	-	(90 437 143)	70.39	70.39
Interest Received	29 029 801	-	29 029 801	-	-	29 029 801	38 981 810	9 952 009	9 952 009	134.28	134.28
Other Receipts	15 273 653	-	15 273 653	-	-	15 273 653	29 912 955	14 639 302	14 639 302	195.85	195.85
Employee Related Costs	-	-	-	-	-	-	(211 044 845)	-	(211 044 845)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(19 703 859)	-	(19 703 859)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(271 023)	-	(271 023)	0.00	0.00
Suppliers Paid	(631 514 235)	-	(631 514 235)	-	-	(631 514 235)	(276 905 836)	354 608 399	354 608 399	0.00	0.00
Other Payments	(26 873 988)	-	(26 873 988)	-	-	(26 873 988)	(108 211 940)	-	(81 337 952)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	-	(54 907 254)	-	(54 907 254)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(409 888 680)	-	(409 888 680)	-	-	(409 888 680)	(514 354 550)	-	(104 465 870)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	10 193 000	-	10 193 000	-	-	10 193 000	31 981 893	21 788 893	21 788 893	313.76	313.76
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	503 646	503 646	503 646	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>13 969 502</b>	<b>-</b>	<b>13 969 502</b>	<b>-</b>	<b>-</b>	<b>13 969 502</b>	<b>905 485</b>	<b>561 205 737</b>	<b>(13 064 017)</b>	<b>6.48</b>	<b>6.48</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Overbudget for Property Rates, due to poor collection rate.

Grants

Projects from 2014/15 roll-overs included.

Public Contributions and Donations

Budget not aligned to GRAP requirements - Public Donations included in Grants above.

Service Charges

Overbudget for Service Charges, due to poor collection rate.

Interest Received

Interest Earned exceeded the budgetary expectations due to unspent grants invested and interest on outstanding debt under-budgeted for.

Other Receipts

Not all Other Receipts were taken into consideration in the budgeted amount.

Employee Related Costs

NT Budget Template not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid

It was not budgeted for Interest and Penalties on late payments made.

Suppliers Paid

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Purchase of Property, Plant and Equipment from roll overs from 2014/15 increased the actual outcome.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	14 988 662	-	14 988 662	-	-	14 988 662	9 608 220	-	(5 380 442)	64.10	64.10
Receivables from Exchange Transactions	74 643 085	542 934 168	617 577 253	-	(560 758 859)	56 818 394	88 745 236	-	31 926 842	156.19	118.89
Receivables from Non-exchange Transactions	27 302 891	-	27 302 891	-	-	27 302 891	34 612 865	-	7 309 974	126.77	126.77
VAT Receivable	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	107 311 123	-	107 311 123	-	284 715 259	392 026 382	524 537 159	-	132 510 777	133.80	488.80
Operating Lease Receivables	-	-	-	-	-	-	90 826	-	90 826	0.00	0.00
Current Portion of Long-term Receivables	5 342 592	-	5 342 592	-	-	5 342 592	3 840 797	-	(1 501 795)	71.89	71.89
<b>Non-Current Assets</b>											
Property, Plant and Equipment	1 636 100 943	-	1 636 100 943	-	324 883 033	1 960 983 976	1 632 893 035	-	(328 090 941)	83.27	99.80
Intangible Assets	1 362 265	-	1 362 265	-	-	1 362 265	2 227 206	-	864 941	163.49	163.49
Investment Property	2 914 612	-	2 914 612	-	0	2 914 612	2 733 845	-	(180 767)	93.80	93.80
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	2 289 574	-	2 289 574	-	-	2 289 574	595 867	-	(1 693 707)	26.03	26.03
<b>Total Assets</b>	<b>1 872 255 747</b>	<b>542 934 168</b>	<b>2 415 189 915</b>	<b>-</b>	<b>48 839 433</b>	<b>2 464 029 348</b>	<b>2 305 621 398</b>	<b>-</b>	<b>(158 407 950)</b>	<b>93.57</b>	<b>123.15</b>
<b>Current Liabilities</b>											
Consumer Deposits	19 827 593	-	19 827 593	-	-	19 827 593	20 065 499	-	237 906	101.20	101.20
Provisions	3 010 153	-	3 010 153	-	-	3 010 153	4 196 266	-	1 186 113	139.40	139.40
Payables from Exchange Transactions	71 847 585	-	71 847 585	-	104 777 148	176 624 733	156 692 018	-	(19 932 715)	88.71	218.09
Payables from Non-exchange Transactions	-	-	-	-	-	-	47 157 634	-	47 157 634	0.00	0.00
Unspent Conditional Grants and Receipts	58 638 892	-	58 638 892	-	(58 638 892)	-	16 903 602	-	16 903 602	0.00	28.83
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	56 538 383	(6 764 942)	49 773 441	-	23 227 599	73 001 040	74 745 203	-	1 744 163	102.39	132.20
Non-current Provisions	5 714 071	-	5 714 071	-	344 315	6 058 386	11 986 000	-	5 927 614	197.84	209.76
<b>Total Liabilities</b>	<b>215 576 677</b>	<b>(6 764 942)</b>	<b>208 811 735</b>	<b>-</b>	<b>69 710 170</b>	<b>278 521 905</b>	<b>343 864 833</b>	<b>-</b>	<b>65 342 928</b>	<b>123.46</b>	<b>159.51</b>
<b>Total Assets and Liabilities</b>	<b>1 656 679 070</b>	<b>549 699 110</b>	<b>2 206 378 180</b>	<b>-</b>	<b>(20 870 737)</b>	<b>2 185 507 443</b>	<b>1 961 756 565</b>	<b>-</b>	<b>(223 750 878)</b>	<b>89.76</b>	<b>118.42</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	1 656 679 070	549 699 110	2 206 378 180	-	(20 870 737)	2 185 507 443	1 961 756 565	-	(223 750 878)	89.76	118.42
<b>Total Net Assets</b>	<b>1 656 679 070</b>	<b>549 699 110</b>	<b>2 206 378 180</b>	<b>-</b>	<b>(20 870 737)</b>	<b>2 185 507 443</b>	<b>1 961 756 565</b>	<b>-</b>	<b>(223 750 878)</b>	<b>89.76</b>	<b>118.42</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

It has been over-budgeted for Inventories.

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for.

Receivables from Non-exchange Transactions:

It has been under-budgeted for Assessment Rates Receivables.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Reveivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been over-budgeted for Arrangement Debtors.

Property, Plant and Equipment:

Capital expenditure budgeted for, not realised.

Intangible Assets:

It was under-budgeted for Intangible Assets.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets.

Long-term Receivables:

It was over-budgeted for Arrangement Debtors.

Provisions:

It was under-budgeted for Performance Bonuses, which were reversed in the prior financial year and provided for again in the current financial year.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Accumulated Surplus / (Deficit):

It was over-budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	45 720 000	-	45 720 000	-	5 494 679	51 214 679	50 368 506	-	(846 173)	98.35	110.17
Fines	1 108 689	-	1 108 689	-	608 936	1 717 625	5 165 864	-	3 448 239	300.76	465.94
Licences and Permits	66 676	-	66 676	-	3 733	70 409	32 395	-	(38 014)	46.01	48.59
Income for Agency Services	7 429 785	-	7 429 785	-	424 451	7 854 236	7 940 469	-	86 233	101.10	106.87
Government Grants and Subsidies Received	522 550 137	100 061 138	622 611 275	-	35 064 478	657 675 753	319 290 064	-	(338 385 689)	48.55	61.10
Public Contributions and Donations	2 154 838	-	2 154 838	-	1 849 806	4 004 644	2 563 989	-	(1 440 655)	64.03	118.99
<b>Revenue from Exchange Transactions</b>											
Service Charges	238 941 652	-	238 941 652	-	32 654 830	271 596 482	258 654 122	-	(12 942 360)	95.23	108.25
Rental of Facilities and Equipment	966 338	-	966 338	-	51 122	1 017 460	906 903	-	(110 557)	89.13	93.85
Interest Earned - External Investments	24 447 515	300 000	24 747 515	-	602 485	25 350 000	34 756 864	-	9 406 864	137.11	142.17
Interest Earned - Outstanding Debtors	2 412 285	-	2 412 285	-	123 027	2 535 312	17 969 233	-	15 433 921	708.76	744.91
Other Income	3 987 479	652 000	4 639 479	-	380 089	5 019 568	4 310 511	-	(709 057)	85.87	108.10
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	8 000 000	-	8 000 000	-	357 000	8 357 000	18 120 530	-	9 763 530	216.83	226.51
<b>Total Revenue</b>	<b>857 785 394</b>	<b>101 013 138</b>	<b>958 798 532</b>	<b>-</b>	<b>77 614 636</b>	<b>1 036 413 168</b>	<b>720 079 451</b>	<b>-</b>	<b>(316 333 717)</b>	<b>69.48</b>	<b>83.95</b>
<b>Expenditure</b>											
Employee Related Costs	207 675 104	(9 310 000)	198 365 104	-	20 530 417	218 895 521	198 930 704	-	(19 964 817)	90.88	95.79
Remuneration of Councillors	18 976 129	(400 000)	18 576 129	-	(495 587)	18 080 542	17 832 310	-	(248 232)	98.63	93.97
Collection Costs	120 000	-	120 000	-	1 912 120	2 032 120	1 980 327	-	(51 793)	97.45	1 650.27
Depreciation and Amortisation	57 440 290	(7 000 000)	50 440 290	-	26 851 362	77 291 652	77 064 895	-	(226 757)	99.71	134.17
Impairment Losses	43 724 123	-	43 724 123	-	4 165 378	47 889 501	60 098 395	12 208 894	12 208 894	125.49	137.45
Repairs and Maintenance	64 123 720	21 075 654	85 199 374	-	(855 554)	84 343 820	86 018 288	1 674 468	1 674 468	101.99	134.14
Finance Costs	-	-	-	-	-	-	856 722	856 722	856 722	0.00	0.00
Bulk Purchases	160 535 351	-	160 535 351	-	8 819 779	169 355 130	169 305 609	-	(49 521)	99.97	105.46
Contracted Services	25 566 556	4 612 098	30 178 654	-	36 776 950	66 955 604	63 255 721	-	(3 699 883)	94.47	247.42
Grants and Subsidies Paid	11 548 693	573 416	12 122 109	-	26 525 975	38 648 084	18 766 620	-	(19 881 464)	48.56	162.50
General Expenses	53 613 386	1 976 534	55 589 920	-	32 628 854	88 218 774	75 477 764	-	(12 741 010)	85.56	140.78
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	<b>643 323 352</b>	<b>11 527 702</b>	<b>654 851 054</b>	<b>-</b>	<b>156 859 694</b>	<b>811 710 748</b>	<b>769 587 356</b>	<b>14 740 085</b>	<b>(42 123 392)</b>	<b>94.81</b>	<b>119.63</b>
<b>Surplus/(Deficit)</b>	<b>214 462 042</b>	<b>89 485 436</b>	<b>303 947 478</b>	<b>-</b>	<b>(79 245 058)</b>	<b>224 702 420</b>	<b>(49 507 905)</b>	<b>(14 740 085)</b>	<b>(274 210 325)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	207 955 076	207 955 076	207 955 076	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>214 462 042</b>	<b>89 485 436</b>	<b>303 947 478</b>	<b>-</b>	<b>(79 245 058)</b>	<b>224 702 420</b>	<b>158 447 171</b>	<b>193 214 991</b>	<b>(66 255 249)</b>	<b>70.51</b>	<b>73.88</b>

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

It was under-budgeted for Fines.

Licences and Permits:

It was over-budgeted for Licences and Permits - negligible amount.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Public Contributions and Donations:

It was over-budgeted for Public Contributions and Donations.

Rental of Facilities and Equipment:

It was over-budgeted for Rental of Facilities and Equipment - negligible amount.

Interest Earned - External Investments:

Interest Earned exceeded the budgetary expectations due to funds not spent, and creditors not paid.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Other Income:

Other Income received was less than budgetary expectations.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Impairment Losses:

It was under-budgeted for Impairment Losses on Receivables.

Finance Costs:

It was not budgeted for Interest and Penalties on late payments made.

Grants and Subsidies Paid:

Over budgeted for Indigent Subsidies paid.

General Expenses :

It was overbudgeted for General Expenses.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.



Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>						0	0				
Executive and Council	132 000	26 600	158 600	-	76 400	235 000	-	-	(235 000)	0.00	0.00
Budget and Treasury Office	404 500	110 000	514 500	-	(283 000)	231 500	57 076	-	(174 424)	24.65	14.11
Corporate Services	25 577 500	3 887 336	29 464 836	-	(11 048 270)	18 416 566	5 202 028	-	(13 214 538)	28.25	20.34
Community and Social Services	36 000	959 536	995 536	-	(818 198)	177 338	704 732	527 394	527 394	397.39	1 957.59
Sport and Recreation	12 140 975	28 952 261	41 093 236	-	(26 188 512)	14 904 724	4 861 918	-	(10 042 806)	32.62	40.05
Public Safety	743 000	816 922	1 559 922	-	(1 507 422)	52 500	1 765	-	(50 735)	3.36	0.24
Housing	525 630	-	525 630	-	(525 630)	-	-	-	-	0.00	0.00
Planning and Development	19 000	60 484	79 484	-	(35 983)	43 501	10 026	-	(33 475)	23.05	52.77
Roads and Transport	114 966 171	31 577 131	146 543 302	-	(100 748 870)	45 794 432	38 235 784	-	(7 558 648)	83.49	33.26
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00
Electricity	22 999 968	19 542 645	42 542 613	-	(27 010 804)	15 531 809	9 209 981	-	(6 321 828)	59.30	40.04
Water	118 278 800	15 994 527	134 273 327	-	118 205 524	252 478 851	127 959 015	-	(124 519 836)	50.68	108.18
Waste Water Management	81 982 000	9 718 966	91 700 966	-	(48 260 191)	43 440 775	42 137 663	-	(1 303 112)	97.00	51.40
Waste Management	428 000	512 800	940 800	-	(918 799)	22 001	7 546 299	7 524 298	7 524 298	34 299.80	1 763.15
Other	15 000	19 246	34 246	-	(34 246)	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>378 248 544</b>	<b>112 178 454</b>	<b>490 426 998</b>	<b>-</b>	<b>(99 098 001)</b>	<b>391 328 997</b>	<b>235 926 286</b>	<b>8 051 692</b>	<b>(155 402 711)</b>	<b>60.29</b>	<b>62.37</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Savings realised on capital items budgeted for and not procured.											
Budget and Treasury Office: Savings realised on capital items budgeted for and not procured.											
Corporate Services: Savings realised on capital items budgeted for and not procured.											
Community and Social Services: Savings realised on capital items budgeted for and not procured.											
Sport and Recreation: Projects not finalised - Budget rolled over to 2015/16 for completion in the next financial year.											
Public Safety: Savings realised on capital items budgeted for and not procured.											
Planning and Development: Negligent amount.											
Roads and Transport: Projects not finalised - Budget rolled over to 2015/16 for completion in the next financial year.											
Electricity: Projects not finalised - Budget rolled over to 2015/16 for completion in the next financial year.											
Water: Projects not finalised - Budget rolled over to 2015/16 for completion in the next financial year.											
Waste Management: Projects not finalised - Budget rolled over to 2014/15 for completion in the next financial year.											

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Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	343 530 415	1 500 000	345 030 415	-	-	345 030 415	43 072 433	-	(301 957 982)	12.48	12.54
Grants	537 675 753	119 863 866	657 539 619	-	136 134	657 675 753	472 720 224	-	(184 955 529)	71.88	87.92
Public Contributions and Donations	-	-	-	-	-	-	2 563 989	2 563 989	2 563 989	0.00	0.00
Service Charges	-	-	-	-	-	-	202 446 381	202 446 381	202 446 381	0.00	0.00
Interest Received	23 350 000	2 000 000	25 350 000	-	-	25 350 000	35 339 420	9 989 420	9 989 420	139.41	151.35
Other Receipts	-	-	-	-	-	-	67 007 236	67 007 236	67 007 236	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(188 558 298)	-	(188 558 298)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(17 832 310)	-	(17 832 310)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(856 722)	-	(856 722)	0.00	0.00
Suppliers Paid	(570 245 838)	(424 194 189)	(994 440 027)	-	565 810 082	(428 629 945)	(253 606 955)	175 022 990	175 022 990	0.00	0.00
Other Payments	(28 641 494)	(417 000)	(29 058 494)	-	834 000	(28 224 494)	(87 258 945)	-	(59 034 451)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	-	(4 809 833)	-	(4 809 833)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(359 092 381)	359 000 747	(91 634)	-	91 634	-	(227 998 457)	-	(227 998 457)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(1 024 850)	-	(1 024 850)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	8 357 000	-	8 357 000	-	-	8 357 000	18 120 530	9 763 530	9 763 530	216.83	216.83
Decrease / (Increase) in Long-term Receivables	-	(1 292 678)	(1 292 678)	-	1 292 678	-	926 225	926 225	926 225	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(45 066 545)</b>	<b>56 460 746</b>	<b>11 394 201</b>	<b>-</b>	<b>568 164 528</b>	<b>579 558 729</b>	<b>60 250 068</b>	<b>467 719 771</b>	<b>(519 308 661)</b>	<b>10.40</b>	<b>0.00</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Service Charges below included in budget for Property Rates.

Grants

Projects budgeted to be funded from Grants, did not realise.

Public Contributions and Donations

Budget not aligned to GRAP requirements - Public Donations included in Grants above.

Service Charges

Budget for Service Charges included in Property Rates above.

Interest Received

Interest Earned exceeded the budgetary expectations due to unspent grants invested and interest on outstanding debt under-budgeted for.

Other Receipts

It was not budgeted for Other Receipts.

Employee Related Costs

NT Budget Template not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid

It was not budgeted for Interest and Penalties on late payments made.

Suppliers Paid

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

It was not budgeted for Purchase of Property, Plant and Equipment.

Purchase of Intangible Assets:

Nt Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

The effect of not budgeting for Purchase of Property, Plant and Equipment is reflecting in Cash and Cash Equivalents at End of the Year.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2015/16		2014/15
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>378 586 972</b>		<b>158 447 171</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	942 578		846 173
Fines	(1 348 405)		(3 448 239)
Licences and Permits	(3 319)		38 014
Revenue for Agency Services	280 420		(86 233)
Government Grants and Subsidies Received	(52 217 091)		130 430 612
Public Contributions and Donations	(1 300)		1 440 655
<b>Revenue from Exchange Transactions</b>			
Service Charges	13 566 163		12 942 360
Rental of Facilities and Equipment	508 670		110 557
Interest Earned - External Investments	(11 710 323)		(9 406 864)
Interest Earned - Outstanding Debtors	(13 428 888)		(15 433 921)
Other Revenue	(1 162 384)		709 057
Gains on Disposal of Property, Plant and Equipment	-		-
Profit on Sale of Land	(1 788 893)		(9 763 530)
<b>Expenditure</b>			
Employee Related Costs	(31 123 255)		(19 964 817)
Remuneration of Councillors	228 142		(248 232)
Collection Costs	(121 852)		(51 793)
Depreciation and Amortisation	6 519 223		(226 757)
Impairment Losses	31 472 825		12 208 894
Repairs and Maintenance	(22 596 526)		1 674 468
Finance Costs	271 023		856 722
Bulk Purchases	(39 903)		(49 521)
Contracted Services	(96 173)		(3 699 883)
Grants and Subsidies Paid	(9 917 133)		(19 881 464)
General Expenses	(9 484 101)		(12 741 010)
Loss on Disposal of Property, Plant and Equipment	364 717		-
<b>Net surplus/deficit per approved budget</b>	<b>277 701 187</b>		<b>224 702 420</b>

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

#### 1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

#### 1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 **Revenue Recognition**

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 **Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 13 to the Annual Financial Statements.

#### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### 1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 9, 10, 11 and 12 to the Annual Financial Statements, if applicable.

#### 1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 9.2.2.

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor - issued August 2013
- GRAP 108 Statutory Receivables - issued September 2013
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### 2.1 *Accumulated Surplus*

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

##### 2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

##### 2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

##### 2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).



## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2.1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

#### 3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Community</b>	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	<b>Infrastructure</b>			<b>Other</b>	
	Electricity	10 - 50		Computer Equipment	5 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sanitation	10 - 55		Motor Vehicles	7 - 10
	Sewerage / Solid Waste	5 - 80		Office Equipment	5 - 15
	Water	5 - 80		Plant and Equipment	2 - 15
				Specialist Vehicles	10 - 15
				Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

#### 3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### 3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

#### 3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### 3.7 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 4. INTANGIBLE ASSETS

#### 4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

#### 4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

## 5. INVESTMENT PROPERTY

### 5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

#### 5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

## 6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

#### 6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **6.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

#### **6.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

### **7. IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

#### **7.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

## 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

#### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

#### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### 8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.



## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 8.3 Initial and Subsequent Measurement

##### 8.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### 8.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### 8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

#### 8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### 8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### 8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 9. INVENTORIES

#### 9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

#### 9.2 Subsequent Measurement

##### 9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *FIFO* cost of commodities.

##### 9.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

##### 9.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

##### 9.2.4 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 10. REVENUE RECOGNITION

#### 10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

#### 10.2 Revenue from Exchange Transactions

##### 10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

##### 10.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

##### 10.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 10.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

#### 10.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### 10.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

#### 10.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 10.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### 10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

#### 10.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

#### 10.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

#### 10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### ***11.1 Provision for Environmental Rehabilitation***

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

### 12. EMPLOYEE BENEFIT LIABILITIES

#### ***12.1 Short-term Employee Benefits***

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 12.2 *Post-employment Benefits*

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

##### 12.2.1 **Defined Contribution Plans**

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### 12.2.2 **Defined Benefit Plans**

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

##### **Post-retirement Health Care Benefits**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

##### **Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

##### **Provincially-administered Defined Benefit Plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.



## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

### 13. LEASES

#### 13.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

#### 13.2 The Municipality as Lessee

##### 13.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 13.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

### 14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

#### 16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

#### 20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

# MOGALAKWENA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

### 22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

### 23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

### 24. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## MOGALAKWENA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### 26. COMPARATIVE INFORMATION

##### ***26.1 Current Year Comparatives***

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### ***26.2 Prior Year Comparatives***

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

##### ***26.3 Budget Information***

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2015 to 30 June 2016.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**                      **2015**  
**R**

**1. GENERAL INFORMATION**

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of six local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores	7 838 076	8 231 455
Property Stock	1 131 443	1 192 193
Water - at cost	196 756	184 573
<b>Total Inventories</b>	<b>9 166 275</b>	<b>9 608 220</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R5,76 per kilolitre (2015: R5,33 per kilolitre).

The cost of Inventories recognised as an expense during the period was R11 117 884 (2015: R10 234 734).

Inventories of R3 735 006 (2015: R3 544 061) are expected to be utilised only after more than twelve months.

Inventories of R2 940 912 (2015: R2 002 644) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R	
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	269 351 453	222 175 992	47 175 461
Electricity	68 112 450	41 566 855	26 545 595
Refuse	33 845 553	30 693 770	3 151 783
Sewerage	26 406 673	21 342 188	5 064 484
Water	140 986 776	128 573 178	12 413 598
Other Receivables	141 809 181	124 772 654	17 036 528
Accruals:	38 891 804	-	38 891 804
Interest on Investments	2 338 335	-	2 338 335
VAT - Consumer Debtors	36 553 469	-	36 553 469
Total Receivables from Exchange Transactions	450 052 438	346 948 646	103 103 792
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	204 874 239	166 623 131	38 251 109
Electricity	44 214 141	23 652 661	20 561 480
Refuse	28 959 004	26 090 431	2 868 573
Sewerage	22 455 304	17 901 614	4 553 690
Water	109 245 790	98 978 425	10 267 365
Other Receivables	133 280 210	112 813 092	20 467 118
Accruals:	30 027 009	-	30 027 009
Interest on Investments	2 380 122	-	2 380 122
VAT - Consumer Debtors	27 646 887	-	27 646 887
Total Receivables from Exchange Transactions	368 181 458	279 436 222	88 745 236

*Receivables from Exchange Transactions* have been restated to correctly classify Output VAT accrued in terms of GRAP 23, previously recognised as VAT Receivable. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Furthermore, *Receivables from Exchange Transactions* have been restated to correctly classify amounts held for Exchange Transactions, previously recognised as Non-exchange Transactions. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Included in Service Debtors is an amount of R9 793 941 (2015: R9 118 156) in respect of the consumption of metered services not billed as at 30 June.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2016, the municipality is owed R67 802 401 (30 June 2015: R57 470 447) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2016**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	25 501 821	9 057 904	7 531 872	26 020 853	68 112 450
Less: Provision for Impairment	1 490 554	8 440 102	7 111 363	24 524 836	41 566 855
<b>Net Balances</b>	<b>24 011 267</b>	<b>617 802</b>	<b>420 509</b>	<b>1 496 017</b>	<b>26 545 595</b>
<b>Refuse:</b>					
Gross Balances	922 747	790 227	675 136	31 457 442	33 845 553
Less: Provision for Impairment	230 035	745 008	630 039	29 088 689	30 693 770
<b>Net Balances</b>	<b>692 713</b>	<b>45 219</b>	<b>45 098</b>	<b>2 368 754</b>	<b>3 151 783</b>
<b>Sewerage:</b>					
Gross Balances	980 113	795 180	611 669	24 019 711	26 406 673
Less: Provision for Impairment	187 767	735 321	552 279	19 866 821	21 342 188
<b>Net Balances</b>	<b>792 346</b>	<b>59 859</b>	<b>59 390</b>	<b>4 152 890</b>	<b>5 064 484</b>
<b>Water:</b>					
Gross Balances	9 205 501	4 050 802	3 659 528	124 070 945	140 986 776
Less: Provision for Impairment	1 813 699	3 600 144	3 328 565	119 830 770	128 573 178
<b>Net Balances</b>	<b>7 391 803</b>	<b>450 658</b>	<b>330 963</b>	<b>4 240 175</b>	<b>12 413 598</b>
<b>Other Receivables:</b>					
Gross Balances	190 530	15 690	2 174 473	139 428 489	141 809 181
Less: Provision for Impairment	52 003	15 690	1 900 295	122 804 667	124 772 654
<b>Net Balances</b>	<b>138 527</b>	<b>-</b>	<b>274 178</b>	<b>16 623 823</b>	<b>17 036 528</b>
<b>Accruals - Interest on Investments:</b>					
Gross Balances	2 338 335	-	-	-	2 338 335
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2 338 335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 338 335</b>
<b>Accruals - VAT on Consumer Debtors:</b>					
Gross Balances	3 759 420	2 057 931	1 750 468	28 985 650	36 553 469
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>3 759 420</b>	<b>2 057 931</b>	<b>1 750 468</b>	<b>28 985 650</b>	<b>36 553 469</b>
As at 30 June Receivables of R63 979 382 were past due but not impaired. The age analysis of these Receivables are as follows:					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>					
Gross Balances	42 898 467	16 767 733	16 403 146	373 983 091	407 153 971
Less: Provision for Impairment	3 774 057	13 536 264	13 522 541	316 115 783	343 174 588
<b>Net Balances</b>	<b>39 124 410</b>	<b>3 231 469</b>	<b>2 880 605</b>	<b>57 867 308</b>	<b>63 979 382</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R			2015 R
<b>As at 30 June 2015</b>				
	<b>Current</b>	<b>Past Due</b>		
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
				<b>Total</b>
<b>Electricity:</b>				
Gross Balances	19 381 991	7 538 111	3 014 331	14 279 708
Less: Provision for Impairment	545 992	7 077 944	2 753 470	13 275 255
<b>Net Balances</b>	<b>18 835 999</b>	<b>460 167</b>	<b>260 861</b>	<b>1 004 453</b>
<b>Refuse:</b>				
Gross Balances	884 937	702 258	540 187	26 831 622
Less: Provision for Impairment	141 483	662 636	502 112	24 784 199
<b>Net Balances</b>	<b>743 454</b>	<b>39 622</b>	<b>38 074</b>	<b>2 047 424</b>
<b>Sewerage:</b>				
Gross Balances	1 045 288	787 668	511 986	20 110 362
Less: Provision for Impairment	138 817	723 306	449 618	16 589 873
<b>Net Balances</b>	<b>906 470</b>	<b>64 362</b>	<b>62 369</b>	<b>3 520 489</b>
<b>Water:</b>				
Gross Balances	7 648 920	5 285 484	3 555 588	92 755 798
Less: Provision for Impairment	831 439	4 862 664	3 377 394	89 906 928
<b>Net Balances</b>	<b>6 817 482</b>	<b>422 820</b>	<b>178 194</b>	<b>2 848 869</b>
<b>Other Receivables:</b>				
Gross Balances	2 103 026	1 858 918	1 761 562	127 556 704
Less: Provision for Impairment	363 421	1 622 004	1 531 374	109 296 292
<b>Net Balances</b>	<b>1 739 604</b>	<b>236 914</b>	<b>230 188</b>	<b>18 260 412</b>
<b>Accruals - Interest on Investments:</b>				
Gross Balances	2 380 122	-	-	-
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>2 380 122</b>	<b>-</b>	<b>-</b>	<b>2 380 122</b>
<b>Accruals - VAT on Consumer Debtors:</b>				
Gross Balances	2 816 902	2 017 158	1 079 988	21 732 839
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>2 816 902</b>	<b>2 017 158</b>	<b>1 079 988</b>	<b>21 732 839</b>
As at 30 June Receivables of R54 505 203 were past due but not impaired. The age analysis of these Receivables are as follows:				
	<b>Current</b>	<b>Past Due</b>		
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
				<b>Total</b>
<b>All Receivables:</b>				
Gross Balances	36 261 186	18 189 598	10 463 642	303 267 033
Less: Provision for Impairment	2 021 153	14 948 555	8 613 969	253 852 546
<b>Net Balances</b>	<b>34 240 033</b>	<b>3 241 043</b>	<b>1 849 673</b>	<b>49 414 486</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

			2016 R	2015 R
<b>3.2 Summary of Receivables from Exchange Transactions by Customer Classification</b>				
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	27 992 396	10 634 278	1 933 459	2 338 335
<u>Past Due:</u>				
31 - 60 Days	10 051 975	5 377 925	1 337 833	-
61 - 90 Days	10 588 973	4 564 203	1 249 970	-
+ 90 Days	319 092 189	18 216 584	36 674 318	-
Sub-total	367 725 532	38 792 991	41 195 580	2 338 335
Less: Provision for Impairment	321 090 434	25 858 212	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>46 635 098</b>	<b>12 934 779</b>	<b>41 195 580</b>	<b>2 338 335</b>
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	23 150 690	8 994 880	1 735 494	2 380 122
<u>Past Due:</u>				
31 - 60 Days	12 313 537	4 513 892	1 362 169	-
61 - 90 Days	8 159 912	1 458 298	845 431	-
+ 90 Days	259 719 940	12 336 748	31 210 345	-
Sub-total	303 344 079	27 303 818	35 153 439	2 380 122
Less: Provision for Impairment	262 474 418	16 961 804	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>40 869 662</b>	<b>10 342 013</b>	<b>35 153 439</b>	<b>2 380 122</b>
			2016 R	2015 R

**3.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	279 436 222	228 573 223
Impairment Losses recognised	67 512 423	50 862 999
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>346 948 646</b>	<b>279 436 222</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>3.4 Ageing of impaired Receivables from Exchange Transactions</b>		
<u>Current:</u>		
0 - 30 Days	3 774 057	2 021 153
<u>Past Due:</u>		
31 - 60 Days	13 536 264	14 948 555
61 - 90 Days	13 522 541	8 613 969
+ 90 Days	316 115 783	253 852 546
<b>Total</b>	<b>346 948 646</b>	<b>279 436 222</b>

**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	79 883 696	49 937 346	29 946 350
Sundry Deposits	1 524 395	-	1 524 395
Sundry Debtors	4 449 588	3 011 400	1 438 188
Suspense Accounts	6 896 200	-	6 896 200
<b>Total Receivables from Non-exchange Transactions</b>	<b>92 753 878</b>	<b>52 948 746</b>	<b>39 805 132</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	66 724 465	41 039 954	25 684 512
Sundry Deposits	1 466 995	-	1 466 995
Sundry Debtors	6 157 664	4 731 525	1 426 139
Suspense Accounts	6 035 219	-	6 035 219
<b>Total Receivables from Non-exchange Transactions</b>	<b>80 384 344</b>	<b>45 771 479</b>	<b>34 612 865</b>

*Receivables from Non-exchange Transactions* have been restated to correctly classify amounts held for Exchange Transactions, previously recognised as Non-exchange Transactions. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

**Grant Expenditure Recoverable** is in respect of DWA Grant Moneys withheld and recoverable from National Treasury.

**Sundry Deposits** are in respect of cash deposits made to Eskom for the supply of electricity.

**Sundry Debtors** are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2016**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Assessment Rates:</b>					
Gross Balances	4 264 614	3 349 295	2 269 452	70 000 334	79 883 696
Less: Provision for Impairment	534 742	2 959 182	1 881 071	44 562 352	49 937 346
<b>Net Balances</b>	<b>3 729 872</b>	<b>390 113</b>	<b>388 382</b>	<b>25 437 982</b>	<b>29 946 350</b>
<b>Sundry Deposits:</b>					
Gross Balances	1 524 395	-	-	-	1 524 395
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>1 524 395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 524 395</b>
<b>Sundry Debtors:</b>					
Gross Balances	4 449 588	-	-	-	4 449 588
Less: Provision for Impairment	3 011 400	-	-	-	3 011 400
<b>Net Balances</b>	<b>1 438 188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 438 188</b>
<b>Suspense Accounts:</b>					
Gross Balances	6 896 200	-	-	-	6 896 200
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>6 896 200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 896 200</b>

As at 30 June Receivables of R26 216 477 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	3 349 295	2 269 452	70 000 334	75 619 081
Less: Provision for Impairment	2 959 182	1 881 071	44 562 352	49 402 604
<b>Net Balances</b>	<b>390 113</b>	<b>388 382</b>	<b>25 437 982</b>	<b>26 216 477</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R			2015 R
<b>As at 30 June 2015</b>				
	<b>Current</b>	<b>Past Due</b>		
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
				<b>Total</b>
<b>Assessment Rates:</b>				
Gross Balances	4 012 049	2 699 153	1 654 487	58 358 776
Less: Provision for Impairment	280 332	2 339 921	1 298 449	37 121 252
<b>Net Balances</b>	<b>3 731 717</b>	<b>359 233</b>	<b>356 038</b>	<b>21 237 523</b>
<b>Sundry Deposits:</b>				
Gross Balances	1 466 995	-	-	-
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>1 466 995</b>	<b>-</b>	<b>-</b>	<b>1 466 995</b>
<b>Sundry Debtors:</b>				
Gross Balances	6 157 664	-	-	-
Less: Provision for Impairment	4 731 525	-	-	-
<b>Net Balances</b>	<b>1 426 139</b>	<b>-</b>	<b>-</b>	<b>1 426 139</b>
<b>Suspense Accounts:</b>				
Gross Balances	6 035 219	-	-	-
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>6 035 219</b>	<b>-</b>	<b>-</b>	<b>6 035 219</b>

As at 30 June Receivables of R21 952 794 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	2 699 153	1 654 487	58 358 776	62 712 416
Less: Provision for Impairment	2 339 921	1 298 449	37 121 252	40 759 622
<b>Net Balances</b>	<b>359 233</b>	<b>356 038</b>	<b>21 237 523</b>	<b>21 952 794</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	2 663 666	1 210 604	390 344	-
<u>Past Due:</u>				
31 - 60 Days	2 061 193	897 989	390 113	-
61 - 90 Days	1 546 098	334 972	388 382	-
+ 90 Days	41 842 430	2 719 922	25 437 982	-
Sub-total	48 113 387	5 163 488	26 606 821	-
Less: Provision for Impairment	45 887 757	4 049 589	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 225 630</b>	<b>1 113 898</b>	<b>26 606 821</b>	<b>-</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

			2016 R	2015 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	2 428 612	1 219 223	364 213	-
<u>Past Due:</u>				
31 - 60 Days	1 636 691	703 230	359 233	-
61 - 90 Days	1 099 741	198 708	356 038	-
+ 90 Days	34 784 600	2 336 652	21 237 523	-
Sub-total	39 949 644	4 457 813	22 317 008	-
Less: Provision for Impairment	37 754 009	3 285 945	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 195 635</b>	<b>1 171 868</b>	<b>22 317 008</b>	<b>-</b>

	2016 R	2015 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	45 771 479	42 722 513
Impairment Losses recognised	11 908 792	9 716 739
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(4 731 525)	(6 667 773)
<b>Balance at end of year</b>	<b>52 948 746</b>	<b>45 771 479</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

## 5. VAT RECEIVABLE

Vat Receivable	<b>42 788 643</b>	<b>-</b>
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VAT Receivable has been restated to correctly classify Input VAT accrued in terms of GRAP 23, previously recognised as VAT Receivable. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	505 471 835	509 232 182
Bank Accounts	19 946 403	15 280 571
Cash and Cash Equivalents	24 406	24 406
<b>Total Bank, Cash and Cash Equivalents</b>	<b>525 442 644</b>	<b>524 537 159</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**6.1 Current Investment Deposits**

Call Deposits	10 471 835	9 232 182
Notice Deposits	495 000 000	500 000 000
<b>Total Current Investment Deposits</b>	<b>505 471 835</b>	<b>509 232 182</b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 5,45 % to 6,50 % (2015: 5,45% to 5,50%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest rates varying from 5,90 % to 6,38 % (2015: 5,90 % to 6,38 %) per annum.

Deposits attributable to Unspent Conditional Grants	58 968 316	16 903 602
Deposits attributable to Capital Replacement Reserve.	327 793 110	315 740 943
Deposits attributable to Creditors	118 710 409	156 692 018
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>505 471 835</b>	<b>509 232 182</b>

**6.2 Bank Accounts**

Cash in Bank	19 946 403	15 280 571
<b>Total Bank Accounts</b>	<b>19 946 403</b>	<b>15 280 571</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:*

Cash book balance at beginning of year	15 280 571	9 710 875
Cash book balance at end of year	19 946 403	15 280 571
Bank statement balance at beginning of year	28 064 541	11 083 174
Bank statement balance at end of year	23 255 078	28 064 541

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	24 406	24 406
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>24 406</b>	<b>24 406</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>7. OPERATING LEASE RECEIVABLES</b>		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	90 826	193 308
Operating Lease Revenue recorded	259 987	753 751
Operating Lease Revenue effected	(260 275)	(856 233)
<b>Total Operating Lease Receivables</b>	<b>90 538</b>	<b>90 826</b>

*Operating Lease Receivables* have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register, contracts not previously recognised. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 79 (2015: 1 to 80) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R153 731 (2015: R614 922).

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	188 289	242 730
2 to 5 years	372 337	370 711
More than 5 years	190 469	144 490
<b>Total Operating Lease Arrangements</b>	<b>751 095</b>	<b>757 931</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R288 (2015: decrease of R102 482) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**8. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Debtors Capitalised Loans	1 499 136	3 124 352
Sale of Stand Loans	762 078	673 065
Study Cost Loans	43 380	43 380
<b>Total Current Portion of Long-term Receivables</b>	<b>2 304 594</b>	<b>3 840 797</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**9 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2016**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>76 017 932</b>	<b>13 435 783</b>	<b>1 379 716 780</b>	<b>114 477 139</b>	<b>49 245 402</b>	<b>1 632 893 035</b>
Cost	78 798 957	21 344 899	1 810 716 969	173 163 222	115 114 463	2 199 138 511
- Completed Assets	76 947 149	21 307 084	1 398 238 198	168 468 065	115 114 463	1 780 074 958
- Under Construction	1 851 808	37 815	412 478 771	4 695 158	-	419 063 552
Accumulated Impairment Losses	-	-	-	-	(784 860)	(784 860)
Accumulated Depreciation:	(2 781 026)	(7 909 116)	(431 000 190)	(58 686 083)	(65 084 201)	(565 460 616)
- Cost	(2 781 026)	(7 909 116)	(431 000 190)	(58 686 083)	(65 084 201)	(565 460 616)
Acquisitions	-	-	2 359 015	-	13 155 903	15 514 917
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	2 368	11 347 296	464 193 331	23 296 637	-	498 839 632
- Cost	2 368	11 347 296	464 193 331	23 296 637	-	498 839 632
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	(941 158)	(67 297 466)	(6 241 132)	(8 854 057)	(83 333 813)
- Based on Cost	-	(941 158)	(67 297 466)	(6 241 132)	(8 854 057)	(83 333 813)
Carrying value of Disposals:	-	-	-	-	(364 717)	(364 717)
- Cost	-	-	-	-	(767 826)	(767 826)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	403 109	403 109
- Based on Cost	-	-	-	-	403 109	403 109
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	(2 368)	-	(223 902 330)	(80 664)	-	(223 985 362)
Other Movements	2 368	-	224 840 598	80 664	-	224 923 630
- Cost	2 368	-	224 840 598	80 664	-	224 923 630
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
<b>Carrying values at 30 June 2016</b>	<b>76 020 300</b>	<b>23 841 921</b>	<b>1 779 909 927</b>	<b>131 532 644</b>	<b>53 182 530</b>	<b>2 064 487 323</b>
Cost	78 801 325	32 692 194	2 278 207 583	196 459 860	127 502 540	2 713 663 502
- Completed Assets	76 949 517	21 307 084	1 625 437 811	168 548 728	127 502 540	2 019 745 680
- Under Construction	1 851 808	11 385 111	652 769 772	27 911 131	-	693 917 823
Accumulated Impairment Losses	-	-	-	-	(784 860)	(784 860)
Accumulated Depreciation:	(2 781 026)	(8 850 273)	(498 297 656)	(64 927 215)	(73 535 150)	(648 391 320)
- Cost	(2 781 026)	(8 850 273)	(498 297 656)	(64 927 215)	(73 535 150)	(648 391 320)



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2015**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>74 137 930</b>	<b>14 135 578</b>	<b>1 226 248 700</b>	<b>115 354 961</b>	<b>51 964 087</b>	<b>1 481 841 256</b>
Cost	76 762 173	21 245 152	1 596 929 294	167 787 185	108 790 782	1 971 514 586
- Completed Assets	76 299 813	21 207 337	1 254 946 410	167 787 185	108 790 782	1 629 031 526
- Under Construction	462 361	37 815	341 982 884	0	0	342 483 059
Accumulated Impairment Losses	-	-	-	-	(741 007)	(741 007)
Accumulated Depreciation:	(2 624 244)	(7 109 573)	(370 680 593)	(52 432 224)	(56 085 688)	(488 932 322)
- Cost	(2 624 244)	(7 109 573)	(370 680 593)	(52 432 224)	(56 085 688)	(488 932 322)
Acquisitions	(99 747)	99 747	789 203	-	4 118 824	4 908 027
Capital under Construction - Additions:	2 136 531	-	213 373 004	5 376 038	2 204 857	223 090 430
- Cost	2 136 531	-	213 373 004	5 376 038	2 204 857	223 090 430
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(156 782)	(799 542)	(60 319 597)	(6 253 860)	(8 998 513)	(76 528 293)
- Based on Cost	(156 782)	(799 542)	(60 319 597)	(6 253 860)	(8 998 513)	(76 528 293)
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Impairment Losses	-	-	-	-	(43 852)	(43 852)
Capital under Construction - Completed	(747 083)	-	(142 877 117)	(680 880)	(2 204 857)	(146 509 937)
Other Movements	747 083	-	142 502 585	680 880	2 204 857	146 135 406
- Cost	747 083	-	142 502 585	680 880	2 204 857	146 135 406
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
<b>Carrying values at 30 June 2015</b>	<b>76 017 932</b>	<b>13 435 783</b>	<b>1 379 716 780</b>	<b>114 477 139</b>	<b>49 245 402</b>	<b>1 632 893 035</b>
Cost	78 798 957	21 344 899	1 810 716 969	173 163 222	115 114 463	2 199 138 511
- Completed Assets	76 947 149	21 307 084	1 398 238 198	168 468 065	115 114 463	1 780 074 958
- Under Construction	1 851 808	37 815	412 478 771	4 695 158	-	419 063 552
Accumulated Impairment Losses	-	-	-	-	(784 860)	(784 860)
Accumulated Depreciation:	(2 781 026)	(7 909 116)	(431 000 190)	(58 686 083)	(65 084 201)	(565 460 616)
- Cost	(2 781 026)	(7 909 116)	(431 000 190)	(58 686 083)	(65 084 201)	(565 460 616)

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

*Plant and Equipment* has been restated to disclose the amount for Water Infrastructure, projects previously capitalised that were not completed at year-end. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Plant and Equipment* has been restated to correctly disclose the depreciation for Water Infrastructure, projects previously completed but not depreciated. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Plant and Equipment* has been restated to correctly disclose the Infrastructure and its depreciation for projects previously completed but not recognised as such. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the correct amount for Rehabilitation Costs of Landfill Sites, previously not calculated correctly. Refer to Note 47.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment include the transfer of Major Spare Parts to the amount of R938 268 (2015: R-374 531) and Work-in-Progress of R223 985 362 (2015: R146 509 937) completed and transferred to Cost.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>9 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation</b>		
Other	6 467	6 467
<b>Carrying Amount of PPE retired from active use and held for disposal</b>	<b>6 467</b>	<b>6 467</b>
<b>9.3 Assets pledged as security</b>		
The municipality did not pledge any of its assets as security.		
<b>9.4 Impairment of Property, Plant and Equipment</b>		
Impairment Losses on Property, Plant and Equipment to the amount of R0 (2015: R43 852) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 39.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Other Assets: Computer Equipment	-	2 462
Other Assets: Furniture and Fittings	-	38 505
Other Assets: Office Equipment	-	2 886
<b>Total Impairment of Property, Plant and Equipment</b>	<b>-</b>	<b>43 852</b>
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
<b>9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
There was no change (2014/15: R0) in the estimated useful life of various assets of the municipality for the financial year.		
<b>9.6 Land and Buildings carried at Fair Value</b>		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
<b>9.7 Work-in-Progress</b>		
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
Buildings	13 236 919	1 889 623
Infrastructure: Electricity	9 266 833	8 209 523
Infrastructure: Roads	18 558 843	28 891 568
Infrastructure: Sewerage	109 148 360	47 207 391
Infrastructure: Water	515 795 736	328 170 290
Community Assets: Sports Facilities	27 911 131	4 695 158
<b>Total Carrying Amounts of Work-in-Progress</b>	<b>693 917 823</b>	<b>419 063 552</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1 780 828</b>	<b>2 227 206</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>2 227 206</b>	<b>2 227 206</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(4 710 889)	(4 710 889)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(446 378)	(446 378)
Purchased	(446 378)	(446 378)
<b>Carrying values at 30 June 2016</b>	<b>1 780 828</b>	<b>1 780 828</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(5 157 268)	(5 157 268)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>1 649 825</b>	<b>1 649 825</b>
Cost	5 913 246	5 913 246
Accumulated Amortisation	(4 263 421)	(4 263 421)
Acquisitions:	1 024 850	1 024 850
Purchased	1 024 850	1 024 850
Amortisation:	(447 468)	(447 468)
Purchased	(447 468)	(447 468)
<b>Carrying values at 30 June 2015</b>	<b>2 227 206</b>	<b>2 227 206</b>
Cost	6 938 095	6 938 095
Accumulated Amortisation	(4 710 889)	(4 710 889)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 38).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**10.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**10.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**10.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**10.4 Work-in-Progress**

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

**11 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**2 645 961**

**2 733 845**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**2 733 845**

**2 822 978**

Cost

4 564 000

4 564 000

Accumulated Depreciation

(1 830 155)

(1 741 022)

Acquisitions during the Year

-

-

Depreciation during the Year

(87 884)

(89 134)

**Carrying values at 30 June**

**2 645 961**

**2 733 845**

Cost

4 564 000

4 564 000

Accumulated Depreciation

(1 918 039)

(1 830 155)

**Estimated Fair Value of Investment Property at 30 June**

**4 605 000**

**4 605 000**

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

153 731

614 922

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**11.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**11.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**11.3 Work-in-Progress**

The municipality had no capital projects for Investment Property which were not completed at year-end.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**12 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses

**5 736 342**

**5 736 342**

The movement in Heritage Assets is reconciled as follows:

	Cultural Buildings	Historical Sites	National Monuments	Total
<b>Carrying values at 01 July 2015</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2016</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-
	Cultural Buildings	Historical Sites	National Monuments	Total
<b>Carrying values at 01 July 2014</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2015</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**12.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**12.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**12.3 Work-in-Progress**

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>13 LONG-TERM RECEIVABLES</b>		
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
		<b>Net Balances R</b>
<b>As at 30 June 2016</b>		
Debtors Capitalised Loans	1 815 085	95 987
Sale of Stand Loans	762 078	-
Study Cost Loans	43 380	-
	<u>2 620 543</u>	<u>95 987</u>
Less: Current Portion transferred to Current Receivables:-		2 524 556
Debtors Capitalised Loans		1 499 136
Sale of Stand Loans		762 078
Study Cost Loans		43 380
<b>Total Long-term Receivables</b>		<u><b>219 962</b></u>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>
		<b>Net Balances R</b>
<b>As at 30 June 2015</b>		
Debtors Capitalised Loans	3 943 947	223 728
Sale of Stand Loans	673 065	-
Study Cost Loans	43 380	-
	<u>4 660 392</u>	<u>223 728</u>
Less: Current Portion transferred to Current Receivables:-		4 436 664
Debtors Capitalised Loans		3 840 797
Sale of Stand Loans		3 124 352
Study Cost Loans		673 065
<b>Total Long-term Receivables</b>		<u><b>595 867</b></u>

**DEBTORS CAPITALISED**

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

**SALE OF STANDS**

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable in the year 2011/12.

**STUDY COST LOANS**

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The balance of the loans are in respect of third parties and are repayable in the year 2011/12.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>13.1 Ageing of Long-term Receivables</b>		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	2 620 543	4 660 392
<b>Total</b>	<b>2 620 543</b>	<b>4 660 392</b>

As at 30 June Long-term Receivables of R2 620 543 (2015: R4 660 392) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	2 620 543	4 660 392
<b>Total</b>	<b>2 620 543</b>	<b>4 660 392</b>

**13.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	223 728	748 924
Impairment Losses recognised	-	-
Impairment Losses reversed	(127 741)	(525 195)
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>95 987</b>	<b>223 728</b>

**14 CONSUMER DEPOSITS**

Electricity and Water	20 286 493	20 065 499
<b>Total Consumer Deposits</b>	<b>20 286 493</b>	<b>20 065 499</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>3 198 096</b>	<b>3 202 596</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**15 PROVISIONS**

	2016 R	2015 R
Performance Bonuses	1 389 654	1 097 216
Storm Water Drainage Claim	300 000	300 000
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	1 741 728	1 642 452
Current Portion of Long-term Service Liability (See Note 21)	1 100 625	1 156 598
Current Portion of Non-Current Provisions (See Note 22):	-	-
Rehabilitation of Land-fill Sites	-	-
<b>Total Provisions</b>	<b>4 532 007</b>	<b>4 196 266</b>

*Provisions* have been restated to correctly disclose the provision for a claim instituted against the municipality, previously not recognised. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	1 097 216	558 970
Contributions to provision	292 438	538 245
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>1 389 654</b>	<b>1 097 216</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

**Storm Water Drainage Claim:**

Balance at beginning of year	300 000	300 000
Contributions to provision	-	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>300 000</b>	<b>300 000</b>

**Storm Water Drainage Claim** arises from a settlement, at an amount agreed between the two parties, awarded by court for damages to a private home when it was flooded due to poor water drainage. The provision has been determined based on the quotation received from a service provider.

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2016</b>		
Balance at beginning of year	1 156 598	1 642 452
Transfer from non-current	1 100 625	1 741 728
Expenditure incurred	(1 156 598)	(1 642 452)
<b>Balance at end of year</b>	<b>1 100 625</b>	<b>1 741 728</b>
<b>30 June 2015</b>		
Balance at beginning of year	1 098 103	1 422 084
Transfer from non-current	1 156 598	1 642 452
Expenditure incurred	(1 098 103)	(1 422 084)
<b>Balance at end of year</b>	<b>1 156 598</b>	<b>1 642 452</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	151 455 014	114 838 456
Retentions	74 781 364	41 553 562
Other Creditors	300 000	300 000
<b>Total Payables</b>	<b>226 536 378</b>	<b>156 692 018</b>

*Payables from Exchange Transactions* have been restated to correctly disclose payments made reversed in the prior year, previously not recognised. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Pre-paid Electricity not consumed at Year-end, previously incorrectly assessed and accrued. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 127 (2015: 106) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments received in Advance	27 986 414	20 609 271
Staff Bonuses	4 722 503	4 633 056
Staff Leave Accrued	24 813 449	20 728 474
Suspense Accounts	602 861	356 341
Sundry Deposits	990 922	830 493
<b>Total Payables</b>	<b>59 116 148</b>	<b>47 157 634</b>

*Payables from Non-exchange Transactions* have been restated to correctly payments made reversed in the prior year, previously not recognised. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

**Staff Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>18.1 Conditional Grants from Government</b>	<b>58 827 189</b>	<b>16 762 475</b>
National Government Grants	57 892 466	14 853 458
Local Government Grants	750 171	1 724 465
Other Spheres of Government	184 552	184 552
<b>18.2 Other Conditional Receipts</b>	<b>141 127</b>	<b>141 127</b>
Public Contributions	141 127	141 127
<b>Total Conditional Grants and Receipts</b>	<b>58 968 316</b>	<b>16 903 602</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Government and Note 29 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**19 VAT PAYABLE**

Vat Payable	-	<b>12 118 612</b>
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*VAT Payable* has been restated to correctly classify Input VAT accrued in terms of GRAP 23, previously recognised as VAT Receivable. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**20 OPERATING LEASE LIABILITIES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

Balance at beginning of year	-	-
Operating Lease expenses recorded	297 762	339 052
Operating Lease payments effected	(297 762)	(339 052)
<b>Total Operating Lease Liabilities</b>	<b>-</b>	<b>-</b>

**20.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**20.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	247 281	545 044
Up to 1 year	202 849	297 762
2 to 5 years	44 432	247 281
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>247 281</b>	<b>545 044</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	297 762	339 052
<b>Total Operating Lease Expenses</b>	<b>297 762</b>	<b>339 052</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

**21 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	67 344 358	66 268 666
Long Service Awards Liability	9 248 939	8 476 537
<b>Total Employee Benefit Liabilities</b>	<b>76 593 297</b>	<b>74 745 203</b>

**21.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	66 268 666	57 336 754
Contributions to Provision	2 817 420	10 574 364
Balance at end of Year	69 086 086	67 911 118
Transfer to Current Provisions	(1 741 728)	(1 642 452)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>67 344 358</b>	<b>66 268 666</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	276	271
In-service Non-members (Employees)	411	417
Continuation Members (Retirees, widowers and orphans)	41	43
<b>Total Members</b>	<b>728</b>	<b>731</b>
The liability in respect of past service has been estimated as follows:		
In-service Members	28 819 529	28 378 888
In-service Non-members	20 237 894	18 095 917
Continuation Members	20 028 662	21 436 313
<b>Total Liability</b>	<b>69 086 086</b>	<b>67 911 118</b>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost for the year ending 30 June 2016 is estimated to be R3 487 922, whereas the cost for the ensuing year is estimated to be R3 537 354 (30 June 2015: R3 193 425 and R3 487 922 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.45%	9.08%
Health Care Cost Inflation Rate	8.48%	8.15%
Net Effective Discount Rate	0.89%	0.86%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	67 911 118	58 758 838
Current service costs	3 487 922	3 193 425
Interest cost	6 093 650	5 346 679
Benefits paid	(1 642 452)	(1 422 084)
Actuarial losses / (gains)	(6 764 152)	2 034 260
<b>Total Recognised Benefit Liability</b>	<b>69 086 086</b>	<b>67 911 118</b>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	69 086 086	67 911 118
Unfunded Accrued Liability	69 086 086	67 911 118
<b>Total Benefit Liability</b>	<b>69 086 086</b>	<b>67 911 118</b>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	3 487 922	3 193 425
Interest cost	6 093 650	5 346 679
Actuarial losses / (gains)	(6 764 152)	2 034 260
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 35)</b>	<b>2 817 420</b>	<b>10 574 364</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>The history of experienced adjustments is as follows:</b>		
	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	69 086 086	67 911 118
<b>Deficit</b>	<b><u>69 086 086</u></b>	<b><u>67 911 118</u></b>
	<b><u>58 758 838</u></b>	<b><u>47 959 760</u></b>
	<b><u>44 280 097</u></b>	<b><u>44 280 097</u></b>

Experienced adjustments on Plan Liabilities	(1 189)	2 356 040	41 820	6 739 754	(1 526 436)
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	1 946 400	1 717 200
Effect on the defined benefit obligation	5 904 373	11 800 540

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(1 583 900)	(1 421 900)
Effect on the defined benefit obligation	(6 860 640)	(9 797 710)

The municipality expects to make a contribution of R9 986 213 (2015: R9 581 572) to the Defined Benefit Plans during the next financial year.

Refer to Note 56, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**21.2 Long Service Awards Liability**

Balance at beginning of year	8 476 537	7 853 151
Contributions to provision	1 873 027	1 779 984
Balance at end of Year	<u>10 349 564</u>	<u>9 633 135</u>
Transfer to Current Provisions	(1 100 625)	(1 156 598)
<b>Total Long Service Awards Liability</b>	<b><u>9 248 939</u></b>	<b><u>8 476 537</u></b>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 687 (2015: 688) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2016 is estimated to be R932 884, whereas the cost for the ensuing year is estimated to be R980 309 (30 June 2015: R812 932 and R932 884 respectively).

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.53%	8.00%
Cost Inflation Rate	7.19%	7.06%
Net Effective Discount Rate	1.25%	0.88%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	9 633 135	8 951 254
Current service costs	932 884	812 932
Interest cost	725 165	666 282
Benefits paid	(1 156 598)	(1 098 103)
Actuarial losses / (gains)	214 978	300 770

<b>Total Recognised Benefit Liability</b>	<b>10 349 564</b>	<b>9 633 135</b>
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**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	10 349 564	9 633 135
Unfunded Accrued Liability	10 349 564	9 633 135

<b>Total Benefit Liability</b>	<b>10 349 564</b>	<b>9 633 135</b>
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**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	932 884	812 932
Interest cost	725 165	666 282
Actuarial losses / (gains)	214 978	300 770

<b>Total Post-retirement Benefit included in Employee Related Costs (Note 35)</b>	<b>1 873 027</b>	<b>1 779 984</b>
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**The history of experienced adjustments is as follows:**

	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
Present Value of Defined Benefit Obligation	10 349 564	9 633 135	8 951 254	8 284 788	7 375 410
<b>Deficit</b>	<b>10 349 564</b>	<b>9 633 135</b>	<b>8 951 254</b>	<b>8 284 788</b>	<b>7 375 410</b>
Experienced adjustments on Plan Liabilities	500 679	368 596	(117 352)	321 056	379 886

	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	135 800	120 500
Effect on the defined benefit obligation	674 285	639 781
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(121 700)	(107 700)
Effect on the defined benefit obligation	(611 740)	(579 307)

The municipality expects to make a contribution of R1 817 210 (2015: R1 658 049) to the defined benefit plans during the next financial year.

## 22 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	11 195 858	11 986 000
<b>Total Non-current Provisions</b>	<b>11 195 858</b>	<b>11 986 000</b>

*Non-current Provisions* have been restated to correctly disclose the amount for Rehabilitation of Landfill Sites, previously not calculated correctly. Refer to Note 48.4 on "Correction of Error" for details of the restatement.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:</b>		
Balance at beginning of year	11 986 000	10 870 000
Contributions to provision	(790 142)	1 116 000
	<u>11 195 858</u>	<u>11 986 000</u>
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b><u>11 195 858</u></b>	<b><u>11 986 000</u></b>

**22.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R11 195 858 (2015: R11 986 000) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2023/24 and 2024/25. Provision has been made for the net present value of this cost.

	<b>Proposed Rehabilitation</b>		
Mokopane Landfill	2023/24	8 927 490	9 932 000
Rebone Landfill	2024/25	2 268 368	2 054 000
		<u>11 195 858</u>	<u>11 986 000</u>

**23 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	327 793 110	315 740 943
Capitalisation Reserve	155 199 488	165 418 576
Donations and Public Contributions Reserve	1 012 505	1 181 345
Government Grants Reserve	1 636 672 011	1 294 306 651
Accumulated Surplus / (Deficit) due to the results of Operations	219 666 422	185 109 049
<b>Total Accumulated Surplus</b>	<b><u>2 340 343 536</u></b>	<b><u>1 961 756 565</u></b>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 48.1 "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

			2016 R	2015 R
<b>24 PROPERTY RATES</b>				
	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2016 R000's</b>	<b>July 2015 R000's (Restated)</b>		
Commercial	1 245 483	1 251 490	19 627 967	18 448 439
Industrial	3 106 580	3 104 780	8 423 636	7 844 746
Municipal	594 801	562 723	-	-
Residential	4 073 481	4 110 567	21 386 564	19 958 290
State	394 020	394 020	685 688	635 767
Consent Use	17 910	19 770	358 660	356 344
Undeveloped	287 472	221 705	5 429 895	3 634 952
Less: Revenue Foregone - Free Basic Services			(452 431)	(510 032)
<b>Total Property Rates</b>	<b>9 719 747</b>	<b>9 665 056</b>	<b>55 459 979</b>	<b>50 368 506</b>

**24.1 Calculation of Cash Flow:**

Property Rates Income	55 459 979	50 368 506
Opening Balance of Debtors: Assessment Rates	66 724 465	59 428 392
Closing Balance of Debtors: Assessment Rates	(79 883 696)	(66 724 465)
<b>Total Receipts for Property Rates</b>	<b>42 300 749</b>	<b>43 072 433</b>

*Property Rates* have been restated to correctly classify the cost for Free Basic Services provided, previously not classified correctly. Refer to Note 48.2 on "Correction of Error" for details of the restatement.

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,9573 c/R (2014/15: 0,9031 c/R)  
Business Properties: 1,9326 c/R (2014/15: 1,8232 c/R)  
Agricultural Properties: 0,2393 c/R (2014/15: 0,2258 c/R)

Welfare Organisations are exempted from the payment of rates, whilst the first R15 000,00 of the valuation on improved residential properties is exempted from the payment of rates.

A rebate of 40,00% (2014/15: 40,00%) was allowed on improved residential properties and flats whilst a discount of 30,00% (2014/15: 30,00%) was granted on properties owned by the State. Welfare organisations are exempted from property rates.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

**25 FINES**

Court Fines	3 162 520	4 888 796
Penalties for Contractors	-	275 732
Other Fines	1 118	1 336
<b>Total Fines</b>	<b>3 163 638</b>	<b>5 165 864</b>



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>26 LICENCES AND PERMITS</b>		
Flammable Material Permits	42 486	-
Hawkers Licences	35 045	31 530
Other Licences and Permits	-	865
<b>Total Licences and Permits</b>	<b>77 531</b>	<b>32 395</b>
<b>27 INCOME FROM AGENCY SERVICES</b>		
Administration Fees	340 654	256 236
Commission	12 163	25 969
Licence Cards	1 130 945	950 888
Motor Licences	4 354 724	4 396 593
Other Agency Income	2 287 303	2 310 783
<b>Total Income from Agency Services</b>	<b>8 125 789</b>	<b>7 940 469</b>
<b>28 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	341 563 000	293 263 000
Other Subsidies	7 174 969	5 770 590
<b>Operational Grants</b>	<b>348 737 969</b>	<b>299 033 590</b>
<b>Conditional Grants</b>	<b>435 031 565</b>	<b>228 211 550</b>
National: Equitable Share	-	464 832
National: EPWP	2 150 000	2 015 000
National: FMG	1 600 000	1 600 000
National: MIG	134 411 082	111 946 496
National: MSIG	-	934 000
National: DWA - Refurbishment Projects	19 108 092	9 999 982
National: DWA - Regional Bulk Infrastructure	269 540 792	88 639 004
National: Energy	7 247 305	9 383 180
Local Government: Waterberg District Municipality	974 294	229 056
Other Government: DBSA	-	3 000 000
<b>Total Government Grants and Subsidies</b>	<b>783 769 534</b>	<b>527 245 141</b>
<b>28.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	783 769 534	527 245 141
Opening Balance of Unspent Government Grants	(16 762 475)	(71 287 392)
Closing Balance of Unspent Government Grants	58 827 189	16 762 475
<b>Total Receipts for Government Grants and Subsidies</b>	<b>825 834 248</b>	<b>472 720 224</b>
<b>Operational Grants:</b>		
<b>28.2 National: Equitable Share</b>	<b>341 563 000</b>	<b>293 263 000</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R229 (2015: R229), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Conditional Grants:</b>		
<b>28.3 National: Equitable Share</b>		
Balance unspent at beginning of year	4 632 227	5 097 059
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(464 832)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>4 632 227</u>	<u>4 632 227</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

**28.4 National: EPWP Grant**

Balance unspent at beginning of year	-	0
Current year receipts	2 150 000	2 015 000
Conditions met - transferred to Revenue: Operating Expenses	(2 150 000)	(2 015 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds have been withheld.

**28.5 National: FMG Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(1 600 000)	(1 600 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**28.6 National: MIG Funds**

Balance unspent at beginning of year	3 474 117	25 344 614
Current year receipts	143 238 000	113 849 000
Conditions met - transferred to Revenue: Operating Expenses	(14 614 324)	(4 258 294)
Conditions met - transferred to Revenue: Capital Expenses	(119 796 759)	(107 688 202)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	(3 474 000)	(23 773 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>8 827 035</u>	<u>3 474 117</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. The allocation for Equitable Shares has been reduced by R3 474 000 (2015: R23 773 000) and R0 (2015: R25 000 000) has been withheld due to non-spending of funds by the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>28.7 National: MSIG Funds</b>		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(934 000)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>930 000</b></u>	<u><b>-</b></u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**28.8 National: Department Water Affairs (DWA) - Refurbishment Projects**

Balance unspent at beginning of year	18	5 000 000
Current year receipts	20 000 000	10 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(19 108 092)	(9 999 982)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	(5 000 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>891 927</b></u>	<u><b>18</b></u>

This grant was used for the refurbishment of water schemes transferred from DWA to the municipality. The allocation for Equitable Shares has been reduced by R0 (2015: R5 000 000) due to non-spending of funds by the municipality.

**28.9 National: Department Water Affairs (DWA) - Regional Bulk Infrastructure Grant**

Balance unspent at beginning of year	3 644 114	21 135 484
Current year receipts	302 652 279	109 655 976
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(269 540 792)	(88 639 004)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	(38 508 342)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>36 755 601</b></u>	<u><b>3 644 114</b></u>

This grant was used for the Olifants River Water Resource project. An amount of R0 (2014: R20 054 342 and 2013: R18 454 000) has been withheld incorrectly by National Treasury from this grant. These amounts have been transferred to Receivables in order to recover from National Treasury, and has been reversed in the prior year to offset against sufficient funding.

**28.10 National: Department Water Affairs (DWA) - Other Capital Projects**

Balance unspent at beginning of year	649 090	649 090
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><b>649 090</b></u>	<u><b>649 090</b></u>

This grant was received for the replacement of AC Pipes in infrastructure of Mahwelareng. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>28.11 National: Department Energy</b>		
Balance unspent at beginning of year	2 453 891	11 923 071
Current year receipts	10 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(7 247 305)	(9 383 180)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	(86 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>5 206 586</u>	<u>2 453 891</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. The allocation for Equitable Shares has been reduced by R86 000 (2014: R0) due to non-spending of funds by the municipality.

**28.12 Local Government: Waterberg District Municipality**

Balance unspent at beginning of year	1 724 465	1 953 521
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(974 294)	(229 056)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>750 171</u>	<u>1 724 465</u>

This grant was allocated to the municipality as a contribution towards electricity distribution in the rural areas. No funds have been withheld.

**28.13 Other Government: Development Bank of South Africa (DBSA)**

Balance unspent at beginning of year	-	-
Current year receipts	-	3 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	(3 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant was received for the maintenance of roads and water infrastructure. No funds have been withheld.

**28.14 Other Government: National Lottery Fund**

Balance unspent at beginning of year	184 552	184 552
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>184 552</u>	<u>184 552</u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

**28.15 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2016), government grant funding is expected to increase over the forthcoming three financial years.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>29 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Other Donations	1 757 804	2 563 989
<b>Total Public Contributions and Donations</b>	<b>1 757 804</b>	<b>2 563 989</b>
<b>29.1 Calculation of Cash Flow:</b>		
Public Contributions and Donations Income	1 757 804	2 563 989
Opening Balance of Unspent Public Grants	(141 127)	(141 127)
Closing Balance of Unspent Public Grants	141 127	141 127
<b>Total Receipts for Public Contributions and Donations</b>	<b>1 757 804</b>	<b>2 563 989</b>
<b>Reconciliation of Conditional Public Contributions and Donations:</b>		
<b>29.2 Contributions from PPL Mine</b>		
Balance unspent at beginning of year	141 127	141 127
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<b>141 127</b>	<b>141 127</b>
The municipality received funds from PPL Mine for the construction of VIP Toilets. The donation was utilised for this purpose. No funds have been withheld.		
<b>30 SERVICE CHARGES</b>		
Sale of Electricity	212 374 207	183 106 818
Sale of Water	58 101 308	49 568 567
Refuse Removal	12 110 362	11 813 724
Sewerage and Sanitation Charges	14 316 791	14 165 013
<b>Total Service Charges</b>	<b>296 902 668</b>	<b>258 654 122</b>
<b>30.1 Calculation of Cash Flow:</b>		
Service Charges Income	296 902 668	258 654 122
Opening Balance of Debtors: Service Charges	368 181 458	311 973 718
Closing Balance of Debtors: Service Charges	(450 052 438)	(368 181 458)
<b>Total Receipts for Service Charges</b>	<b>215 031 688</b>	<b>202 446 381</b>
<i>Service Charges</i> have been restated to correctly classify the cost for Free Basic Services provided, previously not classified correctly. Refer to Note 48.2 on "Correction of Error" for details of the restatement.		
Furthermore, <i>Service Charges</i> have been restated to correctly disclose the liability for Pre-paid Electricity not consumed at Year-end, previously incorrectly assessed and accrued. Refer to Note 48.2 on "Correction of Error" for details of the restatement.		
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>31 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Other Facilities	571 872	906 903
<b>Total Rental of Facilities and Equipment</b>	<b>571 872</b>	<b>906 903</b>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>32 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	1 654 162	469 533
Investments	37 285 861	34 287 331
	<b>38 940 023</b>	<b>34 756 864</b>
<b>Outstanding Debtors:</b>		
Long-term Debtors	89 013	75 932
Outstanding Billing Debtors	16 139 976	17 893 301
	<b>16 228 989</b>	<b>17 969 233</b>
<b>Total Interest Earned</b>	<b>55 169 012</b>	<b>52 726 098</b>
<b>32.1 Calculation of Cash Flow:</b>		
External Interest Income	38 940 023	34 756 864
Opening Balance of Accrued Interest	2 380 122	2 962 678
Closing Balance of Accrued Interest	(2 338 335)	(2 380 122)
<b>Total Receipts for Interest Received</b>	<b>38 981 810</b>	<b>35 339 420</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	3 893 815	2 506 944
Held-to-Maturity Investments	35 046 208	32 249 921
Loans and Receivables	16 228 989	17 969 233
	<b>55 169 012</b>	<b>52 726 098</b>
<b>33 OTHER REVENUE</b>		
Building Plan Fees	747 140	495 443
Cemetery Fees	156 889	126 203
Insurance Claims	655 160	195 363
Legal Cost Recovered	16 400	263 835
Non-Attendance of Meetings	7 055	(431 947)
Prints	10 045	11 947
Retentions Forfeited	502 287	254 881
Telephone Cost Recovered	51 905	90 437
Tender Documents	494 831	741 842
Town Planning Fees	-	1 060
Sundry Income	1 329 555	2 561 448
<b>Total Other Revenue</b>	<b>3 971 266</b>	<b>4 310 511</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>33.1 Calculation of Cash Flow:</b>			
Income from Other Revenue	Note 33	3 971 266	4 310 511
Income from Interest on Outstanding Debtors	Note 32	16 228 989	17 969 233
Income from Rental of Facilities and Equipment	Note 31	571 872	906 903
Income from Agency Services	Note 27	8 125 789	7 940 469
Income from Licences and Permits	Note 26	77 531	32 395
Income from Fines	Note 25	3 163 638	5 165 864
Opening Balance of Debtors: Non-exchange Transactions	Note 4	80 384 344	109 010 525
Opening Balance of Debtors: Assessment Rates	Note 4	(66 724 465)	(59 428 392)
Opening Balance of Accrued Interest	Note 4	(2 380 122)	(2 962 678)
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(92 753 878)	(80 384 344)
Closing Balance of Debtors: Assessment Rates	Note 4	79 883 696	66 724 465
Closing Balance of Accrued Interest	Note 4	2 338 335	2 380 122
Amounts written-off as uncollectable	Note 4	(4 731 525)	(6 667 773)
Opening Balance of Operating Lease Receivables	Note 7	90 826	193 308
Closing Balance of Operating Lease Receivables	Note 7	(90 538)	(90 826)
Opening Balance of Current Portion of Long-term Receivables	Note 8	3 840 797	5 979 825
Closing Balance of Current Portion of Long-term Receivables	Note 8	(2 304 594)	(3 840 797)
Opening Balance of Consumer Deposits	Note 14	(20 065 499)	(20 297 074)
Closing Balance of Consumer Deposits	Note 14	20 286 493	20 065 499
<b>Total Receipts for Other Revenue</b>		<b>29 912 955</b>	<b>67 007 236</b>

*Other Revenue* has been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for. Refer to Note 48.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 31, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**34 PROFIT ON SALE OF LAND**

Proceeds on Sale of Land	31 981 893	18 120 530
Cost of Sale of Land	-	-
<b>Total Profit on Sale of Land</b>	<b>31 981 893</b>	<b>18 120 530</b>

**35 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	130 490 600	114 349 309
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	33 333 752	31 376 942
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	20 748 649	17 232 339
Housing Benefits and Allowances	1 065 600	218 940
Overtime Payments	22 899 633	23 398 827
Defined Benefit Plan Expense:	4 690 447	12 354 348
Current Service Cost	4 420 806	4 006 357
Interest Cost	6 818 815	6 012 961
Net Actuarial (gains)/losses recognised	(6 549 174)	2 335 030
<b>Total Employee Related Costs</b>	<b>213 228 681</b>	<b>198 930 704</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>35.1 Calculation of Cash Flow:</b>		
Employee Related Costs Expenditure	213 228 681	198 930 704
Opening Balance of Employee Benefit Liabilities	74 745 203	65 189 905
Closing Balance of Employee Benefit Liabilities	(76 593 297)	(74 745 203)
Opening Balance of Provision for Performance Bonuses	1 097 216	558 970
Closing Balance of Provision for Performance Bonuses	(1 389 654)	(1 097 216)
Opening Balance of Provision for Long-term Service	1 156 598	1 098 103
Closing Balance of Provision for Long-term Service	(1 100 625)	(1 156 598)
Opening Balance of Post-retirement Benefits	1 642 452	1 422 084
Closing Balance of Post-retirement Benefits	(1 741 728)	(1 642 452)
<b>Total Payments for Employee Related Costs</b>	<b>211 044 845</b>	<b>188 558 298</b>

No advances were made to employees. Loans to employees are set out in Note 13.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager***

Annual Remuneration	232 812	677 866
Car and Other Allowances	-	231 952
Company Contributions to UIF, Medical and Pension Funds	-	161 055
<b>Total</b>	<b>232 812</b>	<b>1 070 873</b>

The post was vacant from 01 April 2015 to 30 June 2016. Acting Allowances were paid for the period.

***Remuneration of the Chief Financial Officer***

Annual Remuneration	116 817	556 925
Car and Other Allowances	-	164 522
Company Contributions to UIF, Medical and Pension Funds	-	117 007
<b>Total</b>	<b>116 817</b>	<b>838 454</b>

The post was vacant as from 01 August 2015 to 30 June 2016. Acting Allowances were paid for the

***Remuneration of the Manager: Community Services***

Annual Remuneration	1 016 192	1 220 280
Car and Other Allowances	121 500	120 000
Company Contributions to UIF, Medical and Pension Funds	189 700	188 243
<b>Total</b>	<b>1 327 392</b>	<b>1 528 523</b>

***Remuneration of the Manager: Corporate Support Services***

Annual Remuneration	169 865	232 395
Car and Other Allowances	-	31 516
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>169 865</b>	<b>263 912</b>

The post was vacant for the period 01 July 2014 to 30 June 2016. Acting Allowances were paid for the period.

***Remuneration of the Manager: Developmental Services***

Annual Remuneration	558 312	423 522
Car and Other Allowances	218 277	90 616
Company Contributions to UIF, Medical and Pension Funds	227 647	112 816
<b>Total</b>	<b>1 004 236</b>	<b>626 954</b>

The post was vacant for the period 01 March 2016 to 30 June 2016. An Acting Allowance was paid for the period.



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Remuneration of the Manager: Technical Services</b>		
Annual Remuneration	198 792	289 830
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>198 792</b>	<b>289 830</b>

The post was vacant for the period 01 July 2014 to 30 June 2016. Acting Allowances were paid for the period.

<b>Remuneration of the Manager: Traffic and Emergency Services</b>		
Annual Remuneration	713 304	442 542
Car and Other Allowances	57 084	48 683
Company Contributions to UIF, Medical and Pension Funds	92 951	-
<b>Total</b>	<b>863 339</b>	<b>491 225</b>

The post was vacant for the period 01 July 2014 to 31 October 2015. Acting Allowances were paid for the period.

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

**Staff Leave Benefits:-**

Chief Financial Officer	-	65 022
Manager: Community Services	207 266	197 845
Manager: Developmental Services	-	58 317
Manager: Traffic and Emergency Services	47 382	-
<b>Total</b>	<b>254 648</b>	<b>321 183</b>

**36 REMUNERATION OF COUNCILLORS**

Mayor	498 275	466 651
Speaker	411 297	358 664
Executive Committee Members	1 027 621	995 313
Councillors	10 158 445	9 196 794
Company Contributions to UIF, Medical and Pension Funds	1 621 018	1 361 285
Other Allowances (Cellular Phones, Housing, Transport, etc)	5 987 203	5 453 604
<b>Total Councillors' Remuneration</b>	<b>19 703 859</b>	<b>17 832 310</b>

**Remuneration of Councillors:**

**In-kind Benefits**

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the houses of the Mayor, Speaker and Chief Whip at the expense of the municipality.

**37 COLLECTION COSTS**

Commission Paid	1 291 433	1 768 837
Legal Costs	105 010	211 490
<b>Total Collection Costs</b>	<b>1 396 442</b>	<b>1 980 327</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>38 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	83 333 813	76 528 293
Amortisation: Intangible Assets	446 378	447 468
Depreciation: Investment Property	87 884	89 134
<b>Total Depreciation and Amortisation</b>	<b>83 868 075</b>	<b>77 064 895</b>

*Depreciation and Amortisation* have been restated to correctly disclose the depreciation for Water Infrastructure, projects previously completed but not depreciated. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

Furthermore, *Depreciation and Amortisation* have been restated to correctly disclose the depreciation for projects previously completed but not recognised as such and depreciated. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

*Depreciation and Amortisation* have been restated to correctly disclose the expense on Landfill Sites, previously not calculated correctly. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

**39 IMPAIRMENT LOSSES**

**39.1 Impairment Losses on Fixed Assets**

<b>Impairment Losses Recognised:</b>	-	43 852
Property, Plant and Equipment	-	43 852
Intangible Assets	-	-
<b>Impairment Losses Reversed:</b>	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	-	<b>43 852</b>

**39.2 Impairment Losses on Financial Assets**

<b>Impairment Losses Recognised:</b>	79 421 216	60 579 738
Long-term Receivables	-	-
Receivables from Exchange Transactions	67 512 423	50 862 999
Receivables from Non-exchange Transactions	11 908 792	9 716 739
<b>Impairment Losses Reversed:</b>	(127 741)	(525 195)
Long-term Receivables	(127 741)	(525 195)
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	<b>79 293 475</b>	<b>60 054 543</b>
<b>Total Impairment Losses</b>	<b>79 293 475</b>	<b>60 098 395</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>40 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	456 944	780 580
Infrastructure - Electricity	22 679 728	16 832 411
Infrastructure - Road Transport	6 421 680	6 132 990
Infrastructure - Water	108 059 602	78 019 873
Infrastructure - Other	2 589 550	638 046
Community Assets	49 458	45 434
Other Assets	852 611	1 526 954
Intangible Assets	884 234	380 395
Expenditure Recharged	(21 135 931)	(18 338 394)
<b>Total Repairs and Maintenance</b>	<b>120 857 876</b>	<b>86 018 288</b>

*Repairs and Maintenance* has been restated to correctly classify expenditure expenditure recharged. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

**41 FINANCE COSTS**

Creditors Overdue	-	385 320
Landfill Provision	271 023	471 402
<b>Total Interest Paid on External Borrowings</b>	<b>271 023</b>	<b>856 722</b>

**41.1 Calculation of Cash Flow:**

Finance Cost Expenditure	271 023	856 722
<b>Total Payments for Finance Costs</b>	<b>271 023</b>	<b>856 722</b>

**42 BULK PURCHASES**

Electricity	162 967 240	139 641 530
Water	33 584 352	29 664 079
<b>Total Bulk Purchases</b>	<b>196 551 593</b>	<b>169 305 609</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>43 CONTRACTED SERVICES</b>		
Professional Fees	2 624 379	1 018 312
Security Services	22 928 737	37 946 392
Valuation Services	2 982	133 808
Water Purification	282 270	363 603
Other Contracted Services	3 006 036	23 793 605
<b>Total Contracted Services</b>	<b>28 844 404</b>	<b>63 255 721</b>

**43.1 Calculation of Cash Flow:**

Expenditure for Contracted Services	Note 43	28 844 404	63 255 721
Expenditure for Bulk Purchases	Note 42	196 551 593	169 305 609
Expenditure for Repairs and Maintenance	Note 40	120 857 876	86 018 288
Opening Balance of Payables: Exchange Transactions	Note 16	156 692 018	92 292 638
Closing Balance of Payables: Exchange Transactions	Note 16	(226 536 378)	(156 692 018)
Opening Balance of Inventories	Note 2	(9 608 220)	(9 806 971)
Closing Balance of Inventories	Note 2	9 166 275	9 608 220
Other Transfers of Assets	Note 9	938 268	(374 531)
<b>Total for Suppliers Paid</b>		<b>276 905 836</b>	<b>253 606 955</b>

**44 GRANTS AND SUBSIDIES PAID**

Community Projects	117 723	706 407
Free Basic Services	9 654 045	7 978 856
Mayoral Discretionary Expenditure	594 502	248 669
Project Expenditure	16 861 629	9 568 907
Sport Events	376 301	263 781
Other Grants and Subsidies Paid	15 000	-
<b>Total Grants and Subsidies</b>	<b>27 619 201</b>	<b>18 766 620</b>

*Grants and Subsidies Paid* have been restated to correctly classify the cost for Free Basic Services provided, previously not classified correctly. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

**Community Projects** are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

**Project Expenditure** is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

**Sport Events** are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>45 GENERAL EXPENSES</b>			
Included in General Expenses are the following:			
Advertising		2 843 098	2 994 942
Audit Fees		3 164 587	2 368 201
Bank Charges		1 070 038	1 365 602
Bursaries		294 348	248 932
Chemicals and Poison		280 045	207 108
Cleaning Material		160 544	161 645
Communication and Public Participation		2 828 804	60 449
Connection Fees		454 826	932 427
Connections and Disconnections		56 307	133 136
Disaster Expenditure		133 838	277 714
Electricity		6 004 830	4 929 849
Entertainment		60 273	47 914
Expenditure incurred from EPWP Grant		2 219 817	2 015 000
GLPS Power Factor Correction		322 723	531 658
Hiring of Equipment		304 537	200 521
IDP Review		979 375	830 453
Insurance		2 271 240	1 438 474
Lease Charges		330 986	328 872
Legal Costs		12 700 326	15 776 094
Levies: SALGA		2 323 920	2 200 850
Loss Control		85 451	69 276
Materials and Stocks		543 231	391 088
Mayoral Special Programmes		349 051	192 665
Medical Examinations		107 640	58 308
Postage and Telegrams		360 427	507 505
Pound Fees		117 796	111 128
Refuse Removal		182 555	77 590
Sanitation and Sewerage		130 965	111 892
Stock Shortages/Surpluses		(10 745)	26 449
Telephone Cost		1 405 006	1 269 977
Training Costs		118 918	253 314
Transport Costs		30 320 271	23 513 286
Travelling and Subsistence		2 515 658	1 580 729
Uniforms and Protective Clothing		546 263	773 079
Ward Committee Management		3 930 193	3 729 450
Waste Management		8 067 965	131 400
Water		663 912	436 731
Water Levy		280 313	271 640
Website Hosting		22 718	54 523
Other General Expenses		1 822 620	4 867 891
<b>Total General Expenses</b>		<b>90 364 668</b>	<b>75 477 764</b>
<b>45.1 Calculation of Cash Flow:</b>			
Expenditure for General Expenses	Note 45	90 364 668	75 477 764
Expenditure for Grants and Subsidies Paid	Note 44	27 619 201	18 766 620
Expenditure for Collection Costs	Note 37	1 396 442	1 980 327
Opening Balance of Provision: Cleaning of Illegal Dumping	Note 15	300 000	300 000
Closing Balance of Provision: Cleaning of Illegal Dumping	Note 15	(300 000)	(300 000)
Opening Balance of Payables: Non-exchange Transactions	Note 17	47 157 634	39 307 869
Closing Balance of Payables: Non-exchange Transactions	Note 17	(59 116 148)	(47 157 634)
Opening Balance of Non-current Provisions	Note 22	11 986 000	10 870 000
Closing Balance of Non-current Provisions	Note 22	(11 195 858)	(11 986 000)
<b>Total for Other Payments</b>		<b>108 211 940</b>	<b>87 258 945</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**                      **2015**  
**R**

*General Expenses* have been restated to correctly disclose the expenditure for Workmen's Compensation Insurance. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly classify expenditure expenditure recharged. Refer to Note 48.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**45.2 Material Losses**

	<b>31 603 428</b>	<b>56 408 136</b>
Burglaries	-	5 000
Fraudulent Payments made to Imposters	-	5 658 408
Glass	7 061	-
Public Liability	50 941	47 010
Theft	8 076	-
Vehicle Damages	4 430	99 138
Other Losses	-	5 500
Distribution Losses:		
Electricity Losses	19 408 172	29 758 157
Water Losses	12 124 748	20 834 923

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 53.9).

No other extra-ordinary expenses were incurred.

**46 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Sale of Assets	-	-
Assets Disposed at Carrying Value:	(364 717)	-
Cost of Disposed Assets	(767 826)	-
Accumulated Depreciation of Disposed Assets	403 109	-
Accumulated Impairment of Disposed Assets	-	-
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>(364 717)</b>	<b>-</b>

**47 CHANGE IN ACCOUNTING POLICY**

The municipality adopted the following Accounting Standards for the first time during the financial year 2015/16 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

**47.1 GRAP 105 - Transfers between Entities under common control**

The Accounting Standard for *Transfers between Entities under common control* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 105.

The municipality has developed Accounting Policies to fully comply with GRAP 105 (*Transfers between Entities under common control*). No transfers in terms of GRAP 105 occurred during the reporting period and there is no need for restatement of prior year figures.

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**47.2 GRAP 106 - Transfers between Entities not under common control**

The Accounting Standard for *Transfers between Entities not under common control* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 106.

The municipality has developed Accounting Policies to fully comply with GRAP 106 (*Transfers between Entities not under common control*). No transfers in terms of GRAP 106 occurred during the reporting period and there is no need for restatement of prior year figures.

**47.3 GRAP 107 - Mergers**

The Accounting Standard for *Mergers* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2016 in terms of GRAP 107.

The municipality has developed Accounting Policies to fully comply with GRAP 107 (*Mergers*). No mergers in terms of GRAP 107 occurred during the reporting period and there is no need for restatement of prior year figures.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2015 and the Accumulated Surplus of prior years was not affected either.

**48 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**48.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

**The effect of the changes are as follows:**

		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2014</b>		<b>1 801 495 127</b>
Correction of Error:-		
Adjustment for Provision for Claim for Damages - Note 48.4	(300 000)	
Adjustment for Operating Lease Receivables - Note 48.4	(382)	
Adjustment for Landfill Site Rehabilitation - Note 48.4	3 931 131	
Adjustment for Infrastructure Assets from WIP - Note 48.4	(42 175)	
Adjustment for Pre-paid Electricity accrued at Year-end - Note 48.4	178 089	
Adjustment for Workmen's Compensation Assessment - Note 48.4	<u>(1 952 396)</u>	1 814 267
<b>Restated Balances as at 30 June 2014</b>		<b><u>1 803 309 394</u></b>
Transactions incurred for the Year 2014/15		162 873 202
Correction of Error:-		
Adjustment for Operating Lease Receivables - Note 48.4	5 570	
Adjustment for depreciation of Infrastructure Assets - Note 48.4	(2 373 562)	
Adjustment for Landfill Site Rehabilitation - Note 48.4	(669 795)	
Adjustment for Infrastructure Assets from WIP - Note 48.4	(498 854)	
Adjustment for Pre-paid Electricity accrued at Year-end - Note 48.4	19 507	
Adjustment for Workmen's Compensation Assessment - Note 48.4	<u>(908 897)</u>	(4 426 031)
<b>Restated Balances as at 30 June 2015</b>		<b><u><u>1 961 756 565</u></u></b>

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**48.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2014/15 Revenue</b>	<b>Current Year 2014/15 Revenue</b>	<b>Restated Amount</b>
Property Rates	50 878 539	50 368 506	510 032
Fines	5 165 864	5 165 864	-
Licences and Permits	32 395	32 395	-
Income for Agency Services	7 940 469	7 940 469	-
Government Grants and Subsidies Received	527 245 141	527 245 141	-
Public Contributions and Donations	2 563 989	2 563 989	-
Service Charges	274 427 019	258 654 122	15 772 897
Rental of Facilities and Equipment	906 903	906 903	-
Interest Earned - External Investments	34 756 864	34 756 864	-
Interest Earned - Outstanding Debtors	17 969 233	17 969 233	-
Other Income	4 304 942	4 310 511	(5 570)
Profit on Sale of Land	18 120 530	18 120 530	-
	<b>944 311 887</b>	<b>928 034 527</b>	<b>16 277 360</b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Property Rates</b>	<b>Service Charges</b>	<b>Other Income</b>
<b>Balance previously reported</b>	<b>50 878 539</b>	<b>274 427 019</b>	<b>4 304 942</b>
Adjustment for Revenue Foregone: Provision of Free Basic Services	(510 032)	(15 792 404)	
Adjustment for Pre-paid Electricity accrued at Year-end		19 507	
Adjustment for Operating Lease Receivables			5 570
<b>Restated Balance now reported</b>	<b>50 368 506</b>	<b>258 654 122</b>	<b>4 310 511</b>

**Property Rates:**

The **prior year amounts** for *Property Rates* and Grants and Subsidies Paid have been restated to correctly disclose the cost of Free Basic Services provided in terms of the prescriptions of GRAP 23, previously incorrectly allocated to Grants and Subsidies Paid.

**Service Charges:**

The **prior year amounts** for *Service Charges* and Grants and Subsidies Paid have been restated to correctly disclose the cost of Free Basic Services provided in terms of the prescriptions of GRAP 23, previously incorrectly allocated to Grants and Subsidies Paid.

Furthermore, the **prior year amounts** for *Service Charges* and Payables from Non-exchange Transactions have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end as per audit finding.

**Other Income:**

The prior year amounts for *Other Income* and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for.



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**48.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2014/15 Expenditure</b>	<b>Current Year 2014/15 Expenditure</b>	<b>Restated Amount</b>
Employee Related Costs	198 930 704	198 930 704	-
Remuneration of Councillors	17 832 310	17 832 310	-
Collection Costs	1 980 327	1 980 327	-
Depreciation and Amortisation	74 211 301	77 064 895	(2 853 595)
Impairment Losses	60 098 395	60 098 395	-
Repairs and Maintenance	104 356 682	86 018 288	18 338 394
Finance Costs	168 106	856 722	(688 616)
Bulk Purchases	169 305 609	169 305 609	-
Contracted Services	63 255 721	63 255 721	-
Grants and Subsidies Paid	35 069 056	18 766 620	16 302 437
General Expenses	56 230 473	75 477 764	(19 247 291)
Surplus / (Deficit) for the Year	162 873 202	158 447 171	4 426 031
	<b>944 311 887</b>	<b>928 034 527</b>	<b>16 277 360</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Depreciation &amp; Amortisation</b>	<b>Finance Costs</b>
<b>Balance previously reported</b>	<b>74 211 301</b>	<b>168 106</b>
Adjustment for Depreciation on Infrastructure Assets	2 373 562	
Adjustment for Depreciation on Assets from WIP	498 854	
Adjustment for Landfill Sites Rehabilitation Provision	(18 821)	688 616
<b>Restated Balance now reported</b>	<b>77 064 895</b>	<b>856 722</b>

  

	<b>Repairs &amp; Maintenance</b>	<b>Grants &amp; Subsidies Paid</b>	<b>General Expenses</b>
<b>Balance previously reported</b>	<b>104 356 682</b>	<b>35 069 056</b>	<b>56 230 473</b>
Adjustment for Recharges of Overhead Expenditure	(18 338 394)		18 338 394
Adjustment for Revenue Foregone: Provision of Free Basic Services		(16 302 437)	
Adjustment for Workmen's Compensation Assessment			908 897
<b>Restated Balance now reported</b>	<b>86 018 288</b>	<b>18 766 620</b>	<b>75 477 764</b>

**Depreciation and Amortisation:**

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets, previously not accounted for.

Furthermore, the prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets from WIP, previously not capitalised.

Furthermore, the prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Landfill Sites, previously incorrectly accounted for.

**Repairs and Maintenance:**

The prior year amounts for *Repairs & Maintenance* and General Expenses have been restated to correctly disclose the expenditure for Repairs and Maintenance in terms of an audit opinion received.

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**Finance Costs:**

The prior year amounts for *Finance Costs* and Non-current Provisions have been restated to correctly disclose the expenditure for the unwinding costs of the Provision for Landfill Sites, previously incorrectly accounted for.

**Grants and Subsidies Paid:**

The prior year amounts for *Grants & Subsidies Paid*, Property Rates and Service Charges have been restated to correctly disclose the cost of Free Basic Services provided in terms of the prescriptions of GRAP 23, previously incorrectly allocated to Grants and Subsidies Paid.

**General Expenses:**

Furthermore, the prior year amounts for *General Expenses* and Repairs & Maintenance have been restated to correctly disclose the expenditure for Repairs and Maintenance in terms of an audit opinion received.

The prior year amounts for *General Expenses* and Payables from Exchange Transactions have been restated to correctly disclose the expenditure for Workmen's Compensation Insurance, previously not assessed and accrued for.

**48.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2014/15 Balance</b>	<b>Current Year 2014/15 Balance</b>	<b>Restated Amount</b>
<b>Current Assets</b>			
Inventories	9 608 220	9 608 220	-
Receivables from Exchange Transactions	49 600 071	88 745 236	(39 145 165)
Receivables from Non-exchange Transactions	46 111 142	34 612 865	11 498 277
VAT Receivable	15 528 276	-	15 528 276
Cash and Cash Equivalents	524 537 159	524 537 159	-
Operating Lease Receivables	85 639	90 826	(5 188)
Current Portion of Long-term Receivables	3 840 797	3 840 797	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1 636 438 832	1 632 893 035	3 545 796
Intangible Assets	2 227 206	2 227 206	-
Investment Property	2 733 845	2 733 845	-
Heritage Assets	5 736 342	5 736 342	-
Long-term Receivables	595 867	595 867	-
<b>Current Liabilities</b>			
Consumer Deposits	(20 065 499)	(20 065 499)	-
Provisions	(3 896 266)	(4 196 266)	300 000
Payables from Exchange Transactions	(153 833 455)	(156 692 018)	2 858 563
Payables from Non-exchange Transactions	(47 352 500)	(47 157 634)	(194 865)
Unspent Conditional Grants and Receipts	(16 903 602)	(16 903 602)	-
VAT Payable	-	(12 118 612)	12 118 612
<b>Non-Current Liabilities</b>			
Retirement Benefit Liabilities	(74 745 203)	(74 745 203)	-
Non-current Provisions	(15 878 542)	(11 986 000)	(3 892 542)
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(1 964 368 329)	(1 961 756 565)	(2 611 764)
	<u>-</u>	<u>-</u>	<u>0</u>

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Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	<b>Receivables: Exchange</b>	<b>Receivables: Non-exchange</b>	<b>VAT Receivable</b>	<b>VAT Payable</b>
<b>Balances previously published per AFS as at 30 June 2014</b>	<b>47 182 871</b>	<b>80 385 408</b>	<b>5 191 783</b>	<b>-</b>
Adjustment for Unbilled Metered Services	11 134 718	(11 134 718)		
Adjustment for Accrual of Interest on Investments	2 962 678	(2 962 678)		
Adjustment for VAT Accrued for Receivables	22 120 228		(2 026 521)	(20 093 707)
Adjustment for VAT Accrued for Payables			(3 165 262)	3 165 262
<b>Balances now published per AFS as at 30 June 2014</b>	<b>83 400 495</b>	<b>66 288 012</b>	<b>-</b>	<b>(16 928 445)</b>
Transactions incurred for the Year 2014/15	2 417 200	(34 274 265)	10 336 493	
Adjustment for Unbilled Metered Services	(2 016 562)	2 016 562		
Adjustment for Accrual of Interest on Investments	(582 556)	582 556		
Adjustment for VAT Accrued for Receivables	5 526 659			(5 526 659)
Adjustment for VAT Accrued for Payables			(10 336 493)	10 336 493
<b>Balances now published per AFS as at 30 June 2015</b>	<b>88 745 236</b>	<b>34 612 865</b>	<b>-</b>	<b>(12 118 612)</b>
			<b>Lease Receivables</b>	<b>Property, Plant &amp; Equipment</b>
<b>Balances previously published per AFS as at 30 June 2014</b>			<b>193 691</b>	<b>1 482 062 056</b>
Reclassify opening balance to Lease Register			(382)	
Adjustment for Infrastructure Assets from WIP				(42 175)
Adjustment for Landfill Sites Rehabilitation				(178 625)
<b>Balances now published per AFS as at 30 June 2014</b>			<b>193 308</b>	<b>1 481 841 256</b>
Transactions incurred for the Year 2014/15			(108 052)	154 376 776
Adjustment for Landfill Sites Rehabilitation Provision - Interest Charges			5 570	
Adjustment for Infrastructure not completed - Cost				(112 177 801)
Adjustment for Infrastructure not completed - WIP				112 177 801
Adjustment for Depreciation on Infrastructure Assets				(2 373 562)
Adjustment for Infrastructure Assets from WIP				(498 854)
Adjustment for Landfill Sites Rehabilitation				(452 581)
<b>Balances now published per AFS as at 30 June 2015</b>			<b>90 826</b>	<b>1 632 893 035</b>
	<b>Provisions</b>	<b>Payables: Exchange</b>	<b>Payables: Non-exchange</b>	<b>Non-current Provisions</b>
<b>Balances previously published per AFS as at 30 June 2014</b>	<b>(3 079 157)</b>	<b>(90 340 242)</b>	<b>(39 485 958)</b>	<b>(14 979 756)</b>
Adjustment for Claim for Storm Water Damages	(300 000)			
Adjustment for Workmen's Compensation Assessment		(1 952 396)		
Adjustment for Pre-paid Electricity accrued at Year-end			178 089	
Adjustment for Landfill Sites Rehabilitation				4 109 756
<b>Balances now published per AFS as at 30 June 2014</b>	<b>(3 379 157)</b>	<b>(92 292 638)</b>	<b>(39 307 869)</b>	<b>(10 870 000)</b>
Transactions incurred for the Year 2014/15	(817 108)	(63 493 213)	(7 866 542)	(898 786)
Adjustment for Payment Reversed		2 730	(2 730)	
Adjustment for Workmen's Compensation Assessment		(908 897)		
Adjustment for Pre-paid Electricity accrued at Year-end			19 507	
Adjustment for Landfill Sites Rehabilitation				(217 214)
<b>Balances now published per AFS as at 30 June 2015</b>	<b>(4 196 266)</b>	<b>(156 692 018)</b>	<b>(47 157 634)</b>	<b>(11 986 000)</b>

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**Receivables from Exchange Transactions:**

The **opening balances** of *Receivables from Exchange Transactions* and VAT Receivable/Payable have been restated to correctly disclose the amount for VAT accrued on Service Debtors, previously included in VAT Receivables.

Furthermore, the **opening balances** of *Receivables from Exchange Transactions* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for unbilled metered services at year-end, previously recognised in Non-exchange Receivables.

Furthermore, the **opening balances** of *Receivables from Exchange Transactions* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for interest on investments accrued at year-end, previously recognised in Non-exchange Receivables.

The **prior year amounts** of *Receivables from Exchange Transactions* and VAT Receivable/Payable have been restated to correctly disclose the amount for VAT accrued on Service Debtors, previously included in VAT Receivables.

Furthermore, the **prior year amounts** of *Receivables from Exchange Transactions* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for unbilled metered services at year-end, previously recognised in Non-exchange Receivables.

Furthermore, the **prior year amounts** of *Receivables from Exchange Transactions* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for interest on investments accrued at year-end, previously recognised in Non-exchange Receivables.

**Receivables from Non-exchange Transactions:**

The **opening balances** of *Receivables from Non-exchange Transactions* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for unbilled metered services at year-end, previously recognised in Non-exchange Receivables.

Furthermore, the **opening balances** of *Receivables from Non-exchange Transactions* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for interest on investments accrued at year-end, previously recognised in Non-exchange Receivables.

The **prior year amounts** of *Receivables from Non-exchange Transactions* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for unbilled metered services at year-end, previously recognised in Non-exchange Receivables.

Furthermore, the **prior year amounts** of *Receivables from Non-exchange Transactions* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for interest on investments accrued at year-end, previously recognised in Non-exchange Receivables.

**Operating Lease Receivables:**

The **opening balances** of *Operating Lease Receivables* and Accumulated Surplus have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register as at 30 June 2016, contracts not previously recognised.

The **prior year amounts** of *Operating Lease Receivables* and Other Income have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register for 2015/16, contracts not previously recognised.

**VAT Receivable / Payable:**

The **opening balances** of *VAT Reivable / Payable* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for VAT accrued on Service Debtors, previously included in VAT Receivables.

The **prior year amounts** of *VAT Reivable / Payable* and Receivables from Exchange Transactions have been restated to correctly disclose the amount for VAT accrued on Service Debtors, previously included in VAT Receivables.

**Property, Plant and Equipment:**

The **opening balances** for *Property, Plant & Equipment* (Cost and WIP) have been restated to correctly disclose the expenditure for the Olifantsriver Project not completed, previously incorrectly transferred to Cost.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Depreciation & Amortisation have been restated to correctly disclose the depreciation for the Olifantsriver Project completed, previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose completed Infrastructure Assets transferred from WIP, previously not capitalised.

Furthermore, the **opening balances** of *Property, Plant & Equipment*, Non-current Provisions and Accumulated Surplus have been restated to correctly disclose the amount for the Assets and Provision for Landfill Sites, previously incorrectly calculated for.

The **prior year amounts** for *Property, Plant & Equipment* and Amortisation & Depreciation have been restated to correctly disclose completed Infrastructure Assets transferred from WIP, previously not capitalised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment*, Non-current Provisions and Depreciation & Amortisation have been restated to correctly disclose the transactions for Landfill Sites, previously incorrectly accounted for.

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**Provisions:**

The **opening balances** of *Provisions* and Accumulated Surplus have been restated to correctly disclose the liability for a claim for Storm Water Damages incurred, previously not assessed and accrued for.

**Payables from Exchange Transactions:**

The **opening balances** of *Payables from Exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued for.

The **prior year amounts** of *Payables from Exchange Transactions* and Payables from Non-exchange Transactions have been restated to correctly disclose the amount for a payment made reversed, previously not recorded.

Furthermore, the **prior year amounts** of *Payables from Exchange Transactions* and General Expenses have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued for.

**Payables from Non-exchange Transactions:**

The **opening balances** for *Payables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end as per audit finding.

The **prior year amounts** of *Payables from Non-exchange Transactions* and Payables from Exchange Transactions have been restated to correctly disclose the amount for a payment made reversed, previously not recorded.

Furthermore, the **prior year amounts** of *Payables from Non-exchange Transactions* and Service Charges have been restated to correctly disclose the accrual for Pre-paid Electricity unused at year-end as per audit finding.

**Non-current Provisions:**

The **opening balances** of *Non-current Provisions*, Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly calculated for.

The **prior year amounts** for *Non-current Provisions*, Property, Plant & Equipment and Finance Costs have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly calculated for.

**49 CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	378 586 972	158 447 171
Adjustment for:		
Depreciation and Amortisation	83 868 075	77 064 895
Impairment Losses on Property, Plant and Equipment	-	43 852
Losses / (Gains) on Disposal of Property, Plant and Equipment	364 717	-
Profit on Sale of Land	(31 981 893)	(18 120 530)
Other Movement on Property, Plant and Equipment	(938 268)	374 531
Contribution to Post-retirement Health Care Benefits	2 817 420	10 574 364
Expenditure incurred from Post-retirement Health Care Benefits	(1 642 452)	(1 422 084)
Contribution to Long Service Awards Liability	1 873 027	1 779 984
Expenditure incurred from Long Service Awards Liability	(1 156 598)	(1 098 103)
Contribution to Provisions - Current	292 438	538 245
Contribution to Provisions - Non-current	(790 142)	1 116 000
Contribution to Impairment Provision	79 293 475	60 054 543
Bad Debts Written-off	(4 731 525)	(6 667 773)
<b>Operating surplus before working capital changes</b>	<b>505 855 246</b>	<b>282 685 097</b>
Decrease/(Increase) in Inventories	441 945	198 751
Decrease/(Increase) in Receivables from Exchange Transactions	(81 870 980)	(56 207 740)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(12 369 535)	28 626 181
Decrease/(Increase) in VAT Receivable	(42 788 643)	-
Decrease/(Increase) in Operating Lease Assets	288	102 482
Decrease/(Increase) in Current Portion of Long-term Receivables	1 536 203	2 139 029
Increase/(Decrease) in Consumer Deposits	220 995	(231 575)
Increase/(Decrease) in Payables from Exchange Transactions	69 844 360	64 399 380
Increase/(Decrease) in Payables from Non-exchange Transactions	11 958 514	7 849 765
Increase/(Decrease) in Conditional Grants and Receipts	42 064 714	(54 524 916)
Increase/(Decrease) in VAT Payable	(12 118 612)	(4 809 833)
<b>Cash generated by / (utilised in) Operations</b>	<b>482 774 496</b>	<b>270 226 620</b>

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**50 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015/16 financial year.

**51 FINANCING FACILITIES**

Unsecured Fleet Card Facility, reviewed annually and payable monthly:

- Amount used	1 230 608	1 480 784
- Amount unused	(230 608)	(480 784)
	<b>1 000 000</b>	<b>1 000 000</b>

**52 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**52.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	96 698 524	48 769 436
Unauthorised Expenditure current year	121 023 373	47 929 088
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<b>217 721 897</b>	<b>96 698 524</b>

<b>Incident</b>	<b>Disciplinary Steps / Criminal Proceedings</b>
<i>Budgeted votes exceeded:-</i>	
- Executive and Council - R17 874 837 (2015: R0)	<i>To be condoned by Council</i>
- Water - R17 980 255 (2015: R0)	<i>To be condoned by Council</i>
- Total budgeted expenditure exceeded - R85 168 282 (2015: R45 342)	<i>To be condoned by Council</i>
- Legal cost for private matters incurred - R0 (2015: R2 586 740)	<i>To be condoned by Council</i>

**52.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	901 241	515 920
Fruitless and Wasteful Expenditure current year	339 562	385 320
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<b>1 240 802</b>	<b>901 241</b>

<b>Incident</b>	<b>Disciplinary Steps / Criminal Proceedings</b>
<i>Insurance Claims refused - R80 327 (2015: R0)</i>	<i>None</i>
<i>Interest on Late Payments to SARS - R3 639 (2015: R0)</i>	<i>None</i>
<i>Penalties on Late Payments to SARS - R255 595 (2015: R0)</i>	<i>None</i>
<i>Interest on late payment - Various Creditors - R0 (2015: R385 320)</i>	<i>To be submitted to Council (2015: Under investigation)</i>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>52.3 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		<b>Restated</b>
Opening balance	324 849 118	149 337 100
Irregular Expenditure current year	487 490 102	175 512 018
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u>812 339 220</u>	<u>324 849 118</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Acting without authorisation of MEC - R0 (2015: R609 587)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>MIG Grant not used for intended purpose - R0 (2015: R29 990 820)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>MSIG Grant not used for intended purpose - R0 (2015: R934 000)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Non-compliance to SCM Regulations - R471 087 306 (2015: R73 916)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Irregular salary payments Letjema employees - R0 (2015: R0)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Expenditure contrary to SCM Processes as described in Note 53.8 - R16 402 796 (2015: R70 061 192)</i>	<i>A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".</i>

**53 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**53.1 Contributions to organised local government - SALGA**

Opening Balance	-	-
Council Subscriptions	2 323 920	2 200 850
Amount Paid - current year	(2 323 920)	(2 200 850)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**53.2 Audit Fees**

Opening Balance	-	-
Current year Audit Fee	3 164 587	2 368 201
Amount Paid - current year	(3 164 587)	(2 368 201)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**53.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

**53.4 PAYE, Skills Development Levy and UIF**

Opening Balance	-	-
Current year Payroll Deductions	31 006 688	27 040 076
Amount Paid - current year	(31 006 688)	(27 040 076)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**53.5 Pension and Medical Aid Deductions**

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	45 980 728	42 947 325
Amount Paid - current year	(45 980 728)	(42 947 325)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>53.6 Councillor's arrear Consumer Accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2016</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Mutshinya MF	6 128	2 151	3 978
Councillor Sekhu MJ	3 030	2 487	543
Councillor Senosha SCG	513	436	77
<b>Total Councillor Arrear Consumer Accounts</b>	<b>9 671</b>	<b>5 074</b>	<b>4 598</b>
<b>30 June 2015</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Gwangwa LPE	5 486	836	4 650
Councillor Langa MJ	1 930	1 303	627
Councillor Lentsoane MC	2 541	170	2 371
Councillor Matsemela RA	6 362	133	6 229
Councillor Mutshinya MF	1 260	1 108	152
Councillor Rapatsa MM	44 271	866	43 405
Councillor Sekhu MJ	1 400	1 148	252
Councillor Senosha SCG	306	246	60
<b>Total Councillor Arrear Consumer Accounts</b>	<b>63 556</b>	<b>5 810</b>	<b>57 746</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

<b>30 June 2016</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Gwangwa LPE	2 883	> 90 Days
Councillor Langa MJ	1 409	> 90 Days
Councillor Lentsoane MC	2 209	> 90 Days
Councillor Matsemela RA	89	> 90 Days
Councillor Mutshinya MF	3 978	> 90 Days
Councillor Rapatsa MM	43 722	> 90 Days
Councillor Sekhu MJ	983	> 90 Days
Councillor Senosha SCG	156	> 90 Days
<b>30 June 2015</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Gwangwa LPE	4 650	> 90 Days
Councillor Langa MJ	627	> 90 Days
Councillor Lentsoane MC	2 371	> 90 Days
Councillor Mashamaite TA	1 893	> 90 Days
Councillor Matsemela RA	6 229	> 90 Days
Councillor Mutshinya MF	3 358	> 90 Days
Councillor Rapatsa MM	43 405	> 90 Days
Councillor Sekhu MJ	5 011	> 90 Days
Councillor Senosha SCG	4 592	> 90 Days

**53.7 Non-Compliance with the Municipal Finance Management Act**

The municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General responsibilities	7	52	(d)
Budgetary control and early identification of financial problems	7	54	(d)(i)
Expenditure on staff benefits	8	66	
Monthly budget statements	8	71	(1) to (5)
Mid-year budget and performance assessment	8	72	(1) to (3)
Information to be placed on websites of municipalities	8	75	(1) to (2)
Preparation and adoption of annual reports	12	121	(1)
Oversight reports on annual reports	12	129	(1)
Issues raised by Auditor-General in audit reports	12	131	(1)



**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**53.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Municipal Manager	Year 2015/16	Various occasions (11)	Limited Bidding, Preferred Supplier and Urgency	981 960.30
11 Occasions during the financial year procuring various services amounting to R981 960,30				
Community Services	July 2015	PMM Automotive	Strip & Quote Basis	113 435.00
1 Occasion during the financial year procuring services for the repair of vehicles on strip & quote basis amounting to R113 435,00				
Corporate Services	Year 2015/16	Various occasions (4)	Preferred Supplier and Sole Supplier in terms of Lease Agreement	170 189.54
4 Occasions during the financial year procuring services for the revamping of Website, Repairs and Competency Assessment amounting to R170 189,54				
Electrical Services	Year 2015/16	Various occasions (18)	Urgency, Reputable Supplier, Strip & Quote and Sole Supplier	1 676 598.27
18 Occasions during the financial year procuring radio repeater and electrical material amounting to R1 676 598,27				
Financial Services	September 2015	Mueti Technologies	Preferred Supplier,	83 350.34
	January 2016	Electribox CC	Sole Supplier and Strip	194 100.00
	April 2016	Lithotech	& Quote Basis	137 912.00
3 Occasions during the financial year procuring services for Meter Boxes, Water & Electricity Accounts and Repair of Printers amounting to R415 362,34				
Planning & Developmental Services	September 2015	Graficomp	Urgency and Strip & Quote Basis	6 013.35
	January 2016	Protea Hotel The Ranch		103 500.00
2 Occasions during the financial year procuring services for Repairs of Machine and Hiring of Venue amounting to R109 513,35				
Technical Services	Year 2015/16	Various occasions (13)	Limited Bidding, Urgency, Preferred and Sole Suppliers	12 693 743.11
13 Occasions during the financial year procuring various services amounting to R12 693 743,11				
Traffic and Emergency Services	Year 2015/16	Various occasions (5)	Urgency, Manufacturer, Preferred Supplier and Sole Supplier	241 993.63
5 Occasions during the financial year procuring various services amounting to R241 993,63				

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**                      **2015**  
**R**

**53.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2016</b>	Unaccounted Electricity Losses	<u>24 686 049</u>	<u>0.7862</u>	<u>19 408 172</u>
<b>30 June 2015</b>	Unaccounted Electricity Losses	<u>42 621 250</u>	<u>0.6982</u>	<u>29 758 157</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**2016**  
**R**                      **2015**  
**R**

**Volumes in kWh/year:**

System Input Volume	206 284 079	199 261 035
Billed Consumption	181 598 030	156 639 785
Distribution Loss	24 686 049	42 621 250
Percentage Distribution Loss	11.97%	21.39%

**Water:**

		<b>Lost Units</b>	<b>Tariff</b>	<b>Value</b>
<b>30 June 2016</b>	Unaccounted Water Losses	<u>2 104 991</u>	<u>5.7600</u>	<u>12 124 748</u>
<b>30 June 2015</b>	Unaccounted Water Losses	<u>3 879 874</u>	<u>5.3700</u>	<u>20 834 923</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**2016**  
**R**                      **2015**  
**R**

**Volumes in KI/year:**

System Input Volume	7 154 106	8 187 339
Billed Consumption	5 049 115	4 307 465
Distribution Loss	2 104 991	3 879 874
Percentage Distribution Loss	29.42%	47.39%

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>54 COMMITMENTS FOR EXPENDITURE</b>		
<b>54.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:-</b>	<b>413 433 605</b>	<b>492 020 549</b>
<i>Land and Buildings</i>	11 660 044	17 179 618
<i>Infrastructure</i>	364 332 379	468 612 758
<i>Community</i>	37 441 182	6 228 172
 - <b>Approved but Not Yet Contracted for:-</b>	 -	 -
<i>Land and Buildings</i>	-	-
<i>Infrastructure</i>	-	-
<i>Community</i>	-	-
 <b>Total Capital Commitments</b>	 <b>413 433 605</b>	 <b>492 020 549</b>
 This expenditure will be financed from:		
Capital Replacement Reserve	212 487 083	323 401 476
Government Grants	200 946 522	168 619 073
	<b>413 433 605</b>	<b>492 020 549</b>

**54.2 Lease Commitments**

Non-cancellable Operating Lease Commitments are disclosed in Note 20.

**54.3 Other Commitments**

The municipality has entered into a contract on 01 July 2012 with DDP Valuers (Pty) Ltd for the compiling of the Valuation Roll for 4 years, which will give rise to a total charge of R2 688 600. Various other actions coming forward from the valuation processes are charged per item/hour/day. The contract terminates on 30 June 2017.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>55 FINANCIAL INSTRUMENTS</b>			
<b>55.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	219 962	595 867
Sale of Stand Loans	Amortised cost	-	-
Study Cost Loans	Amortised cost	-	-
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	26 545 595	20 561 480
Refuse	Amortised cost	3 151 783	2 868 573
Sewerage	Amortised cost	5 064 484	4 553 690
Water	Amortised cost	12 413 598	10 267 365
Other Receivables	Amortised cost	17 036 528	20 467 118
Accruals	Amortised cost	38 891 804	30 027 009
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	29 946 350	25 684 512
Sundry Deposits	Amortised cost	1 524 395	1 466 995
Sundry Debtors	Amortised cost	1 438 188	1 426 139
Suspense Accounts	Amortised cost	6 896 200	6 035 219
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	10 471 835	9 232 182
Notice Deposits	Amortised cost	495 000 000	500 000 000
Bank Balances	Amortised cost	19 946 403	15 280 571
Cash Floats and Advances	Fair value	24 406	24 406
<b>Current Portion of Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	1 499 136	3 124 352
Sale of Stand Loans	Amortised cost	762 078	673 065
Study Cost Loans	Amortised cost	43 380	43 380

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Debtors Capitalised Loans	219 962	595 867
Long-term Receivables	Sale of Stand Loans	-	-
Long-term Receivables	Study Cost Loans	-	-
Receivables from Exchange Transactions	Electricity	26 545 595	20 561 480
Receivables from Exchange Transactions	Refuse	3 151 783	2 868 573
Receivables from Exchange Transactions	Sewerage	5 064 484	4 553 690
Receivables from Exchange Transactions	Water	12 413 598	10 267 365
Receivables from Exchange Transactions	Other Debtors	17 036 528	20 467 118
Receivables from Exchange Transactions	Accruals	38 891 804	30 027 009
Receivables from Non-exchange Transactions	Assessment Rates Debtors	29 946 350	25 684 512
Receivables from Non-exchange Transactions	Sundry Deposits	1 524 395	1 466 995
Receivables from Non-exchange Transactions	Sundry Debtors	1 438 188	1 426 139
Receivables from Non-exchange Transactions	Suspense Accounts	6 896 200	6 035 219
Current Portion of Long-term Receivables	Debtors Capitalised Loans	1 499 136	3 124 352
Current Portion of Long-term Receivables	Sale of Stand Loans	762 078	673 065
Current Portion of Long-term Receivables	Study Cost Loans	43 380	43 380
Cash and Cash Equivalents	Call Deposits	10 471 835	9 232 182
Cash and Cash Equivalents	Notice Deposits	495 000 000	500 000 000
Cash and Cash Equivalents	Bank Balances	19 946 403	15 280 571
		<u>670 851 718</u>	<u>652 307 517</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	24 406	24 406
		<u>24 406</u>	<u>24 406</u>
<b>Total Financial Assets</b>		<u><b>670 876 125</b></u>	<u><b>652 331 924</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	151 455 014	114 838 456
Retentions	Amortised cost	74 781 364	41 553 562
Other Creditors	Amortised cost	300 000	300 000
<b>Payables from Non-exchange Transactions</b>			
Staff Bonuses	Amortised cost	4 722 503	4 633 056
Staff Leave Accrued	Amortised cost	24 813 449	20 728 474
Suspense Accounts	Amortised cost	602 861	356 341
Sundry Deposits	Amortised cost	990 922	830 493

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Payables from Exchange Transactions	Trade Creditors	151 455 014	114 838 456
Payables from Exchange Transactions	Retentions	74 781 364	41 553 562
Payables from Exchange Transactions	Other Creditors	300 000	300 000
Payables from Non-exchange Transactions	Staff Bonuses	4 722 503	4 633 056
Payables from Non-exchange Transactions	Staff Leave Accrued	24 813 449	20 728 474
Payables from Non-exchange Transactions	Suspense Accounts	602 861	356 341
Payables from Non-exchange Transactions	Sundry Deposits	990 922	830 493
		<u>257 666 112</u>	<u>183 240 381</u>
<b>Total Financial Liabilities</b>		<u><b>257 666 112</b></u>	<u><b>183 240 381</b></u>

**55.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**                      **2015**  
**R**

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2016**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	24 406	-	24 406
<b>Total Financial Assets</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>

**30 June 2015**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	24 406	-	24 406
<b>Total Financial Assets</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>24 406</u>	<u>-</u>	<u>24 406</u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

**55.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2015.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

**Gearing Ratio**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

The gearing ratio at the year-end was as follows:

Debt	0	(0)
Cash and Cash Equivalents	(505 496 241)	(509 256 588)
Net Debt	(505 496 241)	(509 256 588)
Equity	2 340 343 536	1 961 756 565
<b>Net debt to equity ratio</b>	<b>-21.60%</b>	<b>-25.96%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**55.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

**55.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 55.8 to the Annual Financial Statements.

**55.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 55.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**55.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**55.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

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<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 55.8 below:

*Cash and Cash Equivalents:*

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2016 would have increased / decreased by R274 655 (30 June 2015: R343 877). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**55.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**                      **2015**  
**R**                              **R**

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2016		30 June 2015	
	Credit	Carrying	Credit	Carrying
	Limit	Amount	Limit	Amount
	R	R	R	R
Terra Clay (Pty) Ltd	-	3 746 717	-	-
Department of Education, Arts and Culture	-	2 695 629	-	2 537 699
NTK Beleggings & Ontwikkeling	-	2 162 771	-	-
Government of the Republic of South Africa	-	1 743 722	-	1 487 792
Republiek van Suid-Afrika	-	1 530 382	-	1 291 233
Midway Bricks (Pty) Ltd	-	-	-	3 094 127
Northern Province Academy of Sport	-	-	-	1 324 294
Department of Public Works	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	2 620 543	4 660 392
Receivables from Exchange Transactions	450 052 438	368 181 458
Receivables from Non-exchange Transactions	92 753 878	80 384 344
Bank, Cash and Cash Equivalents	525 442 644	524 537 159
<b>Maximum Credit and Interest Risk Exposure</b>	<b>1 070 869 504</b>	<b>977 763 353</b>
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	76.61%	76.53%
- Industrial / Commercial	8.10%	7.08%
- National and Provincial Government	12.49%	12.81%
- Other Classes	0.43%	0.53%
Other Debtors:		
- Other not Classified	2.37%	3.05%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	50 000 000	160 000 000
First National Bank	50 000 000	20 000 000
Nedbank	230 000 000	165 000 000
Standard Bank	195 418 238	179 512 753
Cash Equivalents	24 406	24 406
<b>Total Bank and Cash Balances</b>	<b>525 442 644</b>	<b>524 537 159</b>
<b>Credit quality of Financial Assets:</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Long-term Receivables</b>		
Group 1	762 078	673 065
Group 2	43 380	43 380
Group 3	1 719 098	3 720 219
<b>Total Long-term Receivables</b>	<b>2 524 556</b>	<b>4 436 664</b>
<b>Receivables from Exchange Transactions</b>		
Counterparties without external credit rating:-		
Group 1	29 037 364	27 590 410
Group 2	10 087 046	6 649 623
	39 124 410	34 240 033
<b>Total Receivables from Exchange Transactions</b>	<b>39 124 410</b>	<b>34 240 033</b>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	13 588 655	12 660 071
Group 2	-	-
<b>Total Receivables from Non-exchange Transactions</b>	<b>13 588 655</b>	<b>12 660 071</b>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**55 FINANCIAL INSTRUMENTS (Continued)**

**55.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 51 C67 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2016</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	257 666 112	257 666 112	-	-	-	-
			<b>257 666 112</b>	<b>257 666 112</b>	-	-	-	-
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	183 240 381	183 240 381	-	-	-	-
			<b>183 240 381</b>	<b>183 240 381</b>	-	-	-	-

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2016</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	506 559 461	505 407 165	1 152 297	-	-	-
Variable Interest Rate Instruments		14.18%	30 418 238	30 418 238	-	-	-	-
Fixed Interest Rate Instruments		7.04%	495 000 000	495 000 000	-	-	-	-
			<b>1 031 977 699</b>	<b>1 030 825 403</b>	<b>1 152 297</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	423 223 591	420 483 598	1 920 398	819 595	-	-
Variable Interest Rate Instruments		7.29%	24 512 753	24 512 753	-	-	-	-
Fixed Interest Rate Instruments		7.01%	500 000 000	500 000 000	-	-	-	-
			<b>947 736 344</b>	<b>944 996 350</b>	<b>1 920 398</b>	<b>819 595</b>	<b>-</b>	<b>-</b>

The municipality has access to financing facilities, the total unused amount which is R0 (2014: R0), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**55.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

**56 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R25 402 126 (2015: R23 842 206) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Municipal Employees Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2014.

The statutory valuation performed as at 28 February 2014 revealed that the net assets of the fund were R0,0 (28 February 2011: R552,8) million, with a funding level of 100,0% (28 February 2011: 107,9%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 12,80% (28 February 2011: 8,10%).

No further information could be obtained.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

**Municipal Employees Gratuity Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The valuation performed as at 30 June 2014 revealed that the market value of the fund was R17 651 (30 June 2013: 14 565) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2014.

No further information could be obtained.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**  
**R**

**2015**  
**R**

**National Fund for Municipal Workers**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The scheme's assets amounted to R10 050,0 (2014: R9 031,8) million at 30 June.

The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of 41,8 (30 June 2014: R9,3) million, with a funding level of 100,42% (30 June 2014: 100,10%). The contribution rate paid by the members (minimum of 2,00% to 7,00%) and the municipalities (minimum of 2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

The monthly deductions for cost were sufficient to cover the expenses incurred over the valuation period. The Trustees, with the support of the Valuator, must continue to monitor the position on an annual basis.

None of the above mentioned plans are State Plans.

**57 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**57.1 Interest of Related Parties**

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
Langa MJ	Councillor	Director of and 100% Interest in Mothushi Corporation
Mabula NS	Councillor	Director of Mapela Irrigation Primary Cooperative Limited; Director of Phaphamang Agriculture Cooperative Limited
Matsemela A	Councillor	Director of Ba Kopane Cooperative; Director of Basapi Ba Mapela; Director of Lebaobab Holdings
Molaba MS	Councillor	Shareholder with 60% interest in Komahlapo Cleaning (Pty) Ltd; Shareholder with 60% interest in Mankale Mining (Pty) Ltd
Kekana VH	Councillor	Director of and 50% Interest in Leokga Trading & Enterprise
Manamela LE	Councillor	Director of and 50% Interest in Motangtang Electrical
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust; Trustee of BV Pretorius Family Trust; Trustee of Welda Du Toit Trust
Setlatjile KD	Councillor	Director of and 33% Interest in Servimark 133
De Villiers IA	Deputy Manager	20% Interest in AMS Haven 139; Director of and 20% Interest in Altmic Properties 55; Director of and 33,3% Interest in Romanesque Property Investments 49
Joubert WD	Deputy Manager	Son-in-Law is the owner of Diesel Power Truck Repairs CC
Tsebe KC	Divisional Head	Director of Grandorff Africa; Director of and 100% interest in K2012109033; Member of and 50% interest in Mafatseng Trading and Projects 82; Director of and 100% interest in Tholing Solutions
Molewa DM	Official (SCM)	100% Ownership in MBT Cosmetics
Maharala LA	Official	Director of and 100% Interest in Livestock Wealth; Director of and 50% Interest in S & T Ice Manufacturing Company
Nelushi M	Official	Director of and 100% Interest in Edmarex (Pty) Ltd



**MOGALAKWENA MUNICIPALITY**  
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**2016**  
**R**                      **2015**  
**R**

**57.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>For the Year ended 30 June 2016</b>				
Councillors	32 617	152 775	133	15 263
Municipal Manager and Section 57 Personnel	2 657	1 174	-	340
<b>Total Services</b>	<b>35 275</b>	<b>153 949</b>	<b>133</b>	<b>15 604</b>
<b>For the Year ended 30 June 2015</b>				
Councillors	36 430	86 092	311	73 425
Municipal Manager and Section 57 Personnel	2 520	5 162	-	10 576
<b>Total Services</b>	<b>38 950</b>	<b>91 254</b>	<b>311</b>	<b>84 001</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**57.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

**57.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 35, 36 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**2016**  
**R**                      **2015**  
**R**

**57.5 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

<b>Company Name</b>	<b>Related Person</b>	<b>Company Capacity</b>	<b>Municipal Capacity</b>	<b>Purchases for the Year</b>	<b>Purchases for the Year</b>
Diesel Power Truck Repairs	Oosthuizen DP	Owner (In-law)	Official	1 658 271	3 428 538
<b>Total Purchases</b>				<b>1 658 271</b>	<b>3 428 538</b>

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>58 CONTINGENT LIABILITIES</b>		
<b>58.1 Court Proceedings:</b>	<b>51 908 932</b>	<b>42 977 117</b>
(i) Dispute on Water Account: The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. A 3rd defendant was located and served with a summons, and entered defence. The original trial date was set for 17 November 2014. The outcome of the case is still uncertain. The school has subsequently been closed.	96 000	96 000
(ii) Claim for Losses Sustained: A claim was received from Emang Development Projects CC for alleged losses sustained when the municipality terminated the contract they were working on grounds of non-performance. No progress has been made to date and a trial date is awaited. The outcome of the matter is still uncertain.	365 132	365 132
(iii) Repossession of Land: The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-AI Properties CC, and repossessed the portion of land. Gov-AI Properties CC is now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a summons was received and a trial date was set for 3 May 2011, which was postponed. The Plaintiff did not file replication and seems to have lost interest. The outcome of the case is still unknown.	817 513	817 513
(iv) Claim for Violation of Human Dignity: A claim was received from MS Bambo for the violation of his dignity. The municipality invited the claimant to an interview for a vacant position, but claimant was not appointed. An irregular step procedure has been taken as the Plaintiff did not provide an address within 8 km from Court. Subsequently, the municipality's attorney filed a Notice of Motion for Dismissal with costs. The return date was 30 August 2013. The outcome of the matter is still uncertain.	157 001	157 001
(v) Termination of Contract: The municipality is being sued by MA Ntjana Construction CC for termination of contract and contractual increases not paid. The case has been referred to the municipality's Attorney to defend. Heads of Arguments were filed during July 2013 and no further progress has been made since. The outcome of the matter is still uncertain.	10 100 000	10 100 000
(vi) Claim for Defamation: The municipality is being sued by MH Thobejane for termination of contract and defamation. Mr Thobejane's contract has been terminated after being found guilty to 26 cases of fraud. In terms of the Systems Act the Municipal Manager instituted action against Mr Thobejane in terms of which he cannot enter into employment at Local Government for 10 years because of misconduct. This is a counterclaim by Mr Tobejane on the municipality's claim against him to recover losses incurred because of the misconduct. The case has been referred to the municipality's Attorney to defend. Plaintiff's plea against counterclaim has been filed. The outcome of the matter is still uncertain.	30 341 632	30 341 632
(vii) Claim for 20% Refund of Purchases: The municipality is being sued individually by 29 persons for refund of 20% of the price of land purchased from the municipality. Land developed by the municipality was valued in 2008 and sold at such valuation plus 20%. Subsequently the market stagnated and during 2010/11 Council resolved to market the remaining land at original valuation. The people who previously purchased the land are now claiming back the 20% they paid in excess of the original valuation. The matters were referred to the municipality's Attorney to defend. The plaintiffs' plea against counterclaim have been filed. 9 Matters were heard in court on 31 January 2014. Cost orders in 8 matters were in favour of the municipality, whilst in the other case the costs were reserved. Subsequently all 9 matters were postponed <i>sine die</i> .	918 687	918 687

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
(viii) Claim for Services Rendered: A claim was received from J Molebatsi for services allegedly rendered, being hiring of sound system, and not paid for. The case has been postponed on request of the plaintiff. The outcome of the matter is still uncertain.	80 000	80 000
(ix) Claim for Services Rendered: A claim was received from Photo Luxury Tours for services allegedly rendered, being hiring of transport services, and not paid for. A trial date is awaited. The outcome of the matter is still uncertain.	71 000	71 000
(x) Claim for Storage Fees - <b>Restated</b> : The municipality is being sued by George Edward Morkel Brink and Others for storage costs of municipal vehicles for the period 01/03/2013 to 20/10/203. The case has been referred to the municipality's Attorney to defend. Pleadings were exchanged which led to a pre-trial conference on 23/11/2016. The outcome of the matter is still uncertain.	30 153	30 153
(xi) Claim for Breach of Contract: A claim was received from Mmusho Security & Projects for breach of contract. The case has been enrolled for 20 October 2016. The outcome of the matter is still uncertain.	1 141 090	-
(xii) Claim for Services Rendered: A claim was received from CSI Africa for services rendered, and not paid for. The case is in exchange of pleadings stage, and a plea has been filed. The outcome of the matter is still uncertain.	376 256	-
(xiii) Claim for Damages Suffered: A claim was received from R Vigus for alleged damages suffered, caused by a pothole in the road. The matter is on-going and the outcome is still uncertain.	16 553	-
(xiv) Claim for Services Rendered: A claim was received from High Risk Reaction Unit for services rendered, and not paid for. D/J was erroneously granted and the attorneys are busy with an application to rescind judgement. The outcome of the matter is still uncertain.	7 397 916	-
(xv) Job Evaluation: Council resolved that a complete Job Evaluation Exercise must be performed to address the salary disparities for all staff. The outcome of the evaluation is still unknown and the effect thereof could not be estimated by management.	-	-
<b>58.2 Insurance Claims:</b>	<b>5 581 463</b>	<b>3 508 344</b>
(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	5 581 463	3 508 344

**59 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>2016</b>	<b>2015</b>
<b>R</b>	<b>R</b>

**60 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received the following in-kind donations and assistance:

(i) Secondment of Acting Municipal Manager by Department of COGHTA for 2 months	205 833
(ii) Secondment of Acting Municipal Manager by Waterberg District Municipality for 6 months	-
(iii) Secondment of Acting Chief Financial Officer by Provincial Treasury for 2 months	697 333

**61 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**62 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

**63 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 47) and Prior Period Errors (Note 48).

**64 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) On 22 June 2016 the Council adopted the 2016/17 to 2018/19 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**MOGALAKWENA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Land and Buildings</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	41 865 095	-	-	2 368	6 686 784	48 554 247	-	-	-	-	-	48 554 247	-
Land: Undeveloped	31 427 394	-	-	-	(6 686 784)	24 740 610	-	-	-	-	-	24 740 610	-
<i>Buildings:</i>													
Carports	869 332	-	-	-	-	869 332	503 222	44 173	-	-	547 396	321 936	129 000
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	83 033	581	-	-	83 614	2 057	-
Houses	464 882	-	-	-	-	464 882	437 871	3 593	-	-	441 464	23 417	-
Office Buildings	16 816 667	-	13 236 919	-	-	30 053 586	6 839 679	549 471	-	-	7 389 150	22 664 435	11 511 296
Warehouses	2 143 310	-	-	-	-	2 143 310	1 703 948	71 146	-	-	1 775 094	368 216	-
Workshops and Depots	514 033	-	-	-	-	514 033	253 239	17 134	-	-	270 374	243 659	50 001
Air Conditioning Systems	3 501 479	-	-	-	-	3 501 479	670 933	226 742	-	-	897 676	2 603 803	-
Elevator Systems	566 371	-	-	-	-	566 371	198 215	28 316	-	-	226 531	339 840	-
	<b>98 254 233</b>	<b>-</b>	<b>13 236 919</b>	<b>2 368</b>	<b>-</b>	<b>111 493 520</b>	<b>10 690 141</b>	<b>941 158</b>	<b>-</b>	<b>-</b>	<b>11 631 299</b>	<b>99 862 221</b>	<b>11 690 297</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
High Mast Lights	10 681 202	-	2 580 074	-	-	13 261 276	5 507 971	1 041 480	-	-	6 549 451	6 711 825	7 043 000
Mains	39 023 074	-	3 403 040	-	-	42 426 114	11 472 437	1 350 415	-	-	12 822 852	29 603 261	2 849 238
Meters	177 502	-	-	-	-	177 502	120 065	8 144	-	-	128 209	49 293	1
Substations	57 222 014	-	-	1 377 946	-	58 599 960	20 679 637	1 471 411	-	-	22 151 048	36 448 912	2 198 678
Supply and Reticulation	28 040 677	-	3 283 720	3 086 089	-	34 410 485	6 109 465	1 057 534	-	-	7 166 999	27 243 486	18 244 432
Transformers	33 174 808	-	-	73 509	-	33 248 317	8 356 253	1 110 049	-	-	9 466 302	23 782 015	500 000
Major Spare Parts in Inventory	2 002 644	-	-	938 268	-	2 940 912	-	-	-	-	-	2 940 912	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	219 889	8 459	-	-	228 348	122 652	-
Overhead Bridges	1 598 652	104 313	999 900	-	-	2 702 865	79 933	41 162	-	-	121 094	2 581 771	-
Road Furniture (Lights, Signs, etc)	108 841 511	5 696 600	159 110	16 081 218	-	130 778 439	11 617 429	5 779 145	-	-	17 396 573	113 381 866	560 000
Roads: Asphalt	307 631 758	(9 302 432)	15 602 680	9 302 432	-	323 234 439	108 146 684	7 651 543	-	-	115 798 228	207 436 211	29 865 508
Roads: Concrete	30 829 704	9 336 976	-	27 564 579	-	67 731 259	947 698	1 340 673	-	-	2 288 371	65 442 888	-
Roads: Gravel	71 137 361	-	-	-	-	71 137 361	67 929 160	1 196 607	-	-	69 125 766	2 011 595	100 246
Roads: Paved	5 619 704	2 512 467	-	53 364	-	8 185 536	401 531	406 788	-	-	808 319	7 377 217	-
Stormwater	143 135 621	(8 347 925)	1 797 152	14 465 230	-	151 050 079	26 344 400	3 810 593	-	-	30 154 994	120 895 085	1 181 233
Railway Sidings	503 000	-	-	-	-	503 000	446 571	4 907	-	-	451 478	51 522	-
Taxi Ranks	228 694	-	-	-	-	228 694	188 418	5 481	-	-	193 898	34 795	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	1 704 497	323 749	-	-	2 028 246	1 942 493	-
<i>Sanitation:</i>													
Landfill Sites	14 339 561	(1 061 165)	-	-	-	13 278 396	4 012 051	1 421 626	-	-	5 433 676	7 844 719	-
<i>Sewerage:</i>													
Bulk Pipelines	33 745 086	-	-	-	-	33 745 086	10 169 432	1 224 799	-	-	11 394 231	22 350 855	-
Pumping Stations	8 806 549	-	3 962 609	849 999	-	13 619 157	1 665 082	693 094	-	-	2 358 175	11 260 981	-
Purification Works	19 465 532	-	49 304 333	3 044 961	-	71 814 825	3 771 236	943 303	-	-	4 714 538	67 100 287	65 123 224
Sewers / Reticulation	28 534 395	-	55 881 419	-	-	84 415 814	8 811 715	1 301 787	-	-	10 113 501	74 302 312	296 793

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water:</i>													
Boreholes	27 725 150	1 629 856	8 226 516	2 124 835	-	39 706 357	5 678 218	1 876 939	-	-	7 555 157	32 151 200	13 235 086
Dams	639 285	-	40 956	-	-	680 241	134 586	9 346	-	-	143 933	536 309	-
Meters	7 913 256	-	-	-	-	7 913 256	1 243 251	492 774	-	-	1 736 024	6 177 232	-
Pumping Stations	25 353 818	3 429 926	-	6 242 770	-	35 026 514	9 891 923	2 054 121	-	-	11 946 044	23 080 470	500 000
Purification Plant	1 349 750	-	-	-	-	1 349 750	457 399	127 479	-	-	584 878	764 872	-
Reservoirs and Tanks	110 804 413	2 655 285	725 493	7 360 771	-	121 545 963	33 000 561	5 665 203	-	-	38 665 764	82 880 199	-
Metalwork	25 000	-	-	-	-	25 000	8 424	2 368	-	-	10 792	14 208	-
Standpipes	9 121 570	-	114 330	473 953	-	9 709 854	4 810 470	1 202 754	-	-	6 013 224	3 696 630	-
Supply and Reticulation	265 981 597	(4 294 887)	506 688 441	131 699 673	-	900 074 824	76 878 439	23 667 709	-	-	100 546 148	799 528 676	345 271 291
Telemetry Systems	263 571	-	-	101 000	-	364 571	195 367	6 028	-	-	201 396	163 175	-
	<b>1 398 238 198</b>	<b>2 359 015</b>	<b>652 769 772</b>	<b>224 840 598</b>	<b>-</b>	<b>2 278 207 583</b>	<b>431 000 190</b>	<b>67 297 466</b>	<b>-</b>	<b>-</b>	<b>498 297 656</b>	<b>1 779 909 927</b>	<b>486 968 730</b>
<b>Community Assets</b>													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	886 392	58 271	-	-	944 663	803 457	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	49 795 078	-	14 772 771	-	-	64 567 849	10 085 367	2 007 794	-	-	12 093 161	52 474 688	-
Stadiums	3 228 844	-	13 138 361	-	-	16 367 204	1 085 345	111 153	-	-	1 196 498	15 170 706	26 488 936
<i>Other Facilities:</i>													
Cemeteries	1 511 206	-	-	-	-	1 511 206	200 001	50 494	-	-	250 496	1 260 710	-
Community Centres	11 031 419	-	-	18 681	-	11 050 100	4 894 980	366 424	-	-	5 261 404	5 788 695	-
Fire Stations	7 300 000	-	-	-	-	7 300 000	3 426 944	243 333	-	-	3 670 278	3 629 722	-
Libraries	73 025 223	-	-	-	-	73 025 223	31 258 043	2 432 988	-	-	33 691 031	39 334 192	-
Markets	3 132 549	-	-	-	-	3 132 549	831 122	104 399	-	-	935 521	2 197 028	-
Nurseries	638 428	-	-	-	-	638 428	97 224	27 832	-	-	125 055	513 373	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 865 208	123 528	-	-	2 988 736	1 062 112	-
Public Conveniences/Bathrooms	683 540	-	-	-	-	683 540	167 616	22 394	-	-	190 010	493 530	11 164 324
Vehicle Testing Centres	52 694	-	-	-	-	52 694	45 339	1 118	-	-	46 457	6 237	-
Perimeter Protection	11 788 027	-	-	61 983	-	11 850 010	2 388 222	678 891	-	-	3 067 113	8 782 897	84 000
Security Systems	482 091	-	-	-	-	482 091	454 280	12 513	-	-	466 792	15 299	-
	<b>168 468 065</b>	<b>-</b>	<b>27 911 131</b>	<b>80 664</b>	<b>-</b>	<b>196 459 860</b>	<b>58 686 083</b>	<b>6 241 132</b>	<b>-</b>	<b>-</b>	<b>64 927 215</b>	<b>131 532 644</b>	<b>37 737 260</b>
<b>Other Assets</b>													
<i>Bins and Containers:</i>													
Collection Containers / Bins	1 632 518	-	-	-	-	1 632 518	624 789	87 320	-	-	712 109	920 409	200 000
<i>Computer Equipment:</i>													
Computer Hardware	10 889 419	146 092	-	-	-	11 035 511	8 127 209	826 742	-	-	8 953 951	2 081 559	627 133
Computer Networks	729 223	-	-	-	-	729 223	108 454	75 870	-	-	184 324	544 899	2 130 000
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	68 301	-	-	-	-	68 301	44 391	3 022	-	-	47 413	20 888	5 000
Fire Equipment	7 059	-	-	-	-	7 059	4 338	610	-	-	4 948	2 111	20 000
Medical and Allied Equipment	125 838	-	-	-	-	125 838	116 955	2 580	-	-	119 536	6 302	30 000



**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Advertising Boards	2 814	-	-	-	-	2 814	1 682	495	-	-	2 177	637	-
Domestic and Hostel Furniture	39 095	-	-	-	-	39 095	3 828	2 465	-	-	6 292	32 803	118 500
Kitchen Appliances	112 742	5 898	-	-	-	118 640	66 454	5 991	-	-	72 446	46 195	20 000
Other Furniture	5 998 917	75 918	-	-	-	6 074 835	4 271 831	413 494	-	-	4 685 325	1 389 510	751 700
<i>Motor Vehicles:</i>													
Motor Cars	25 318 516	6 543 499	-	-	(767 826)	31 094 189	18 349 758	1 349 711	-	(403 109)	19 296 360	11 797 830	5 316 028
Trailers	702 254	-	-	-	-	702 254	364 472	44 588	-	-	409 060	293 195	35 000
Trucks and Bakkies	19 044 565	-	-	-	-	19 044 565	9 577 114	2 004 188	-	-	11 581 301	7 463 264	9 610 000
<i>Office Equipment:</i>													
Air Conditioners	1 234 527	-	-	-	-	1 234 527	872 886	114 478	-	-	987 364	247 163	-
Audiovisual Equipment	1 128 202	-	-	-	-	1 128 202	144 554	106 669	-	-	251 223	876 979	10 000
Cellular Phones	822	-	-	-	-	822	671	38	-	-	709	113	-
Chains, Decorations & Robes	87 000	-	-	-	-	87 000	11 358	1 425	-	-	12 783	74 217	-
Domestic Equipment	136 038	7 625	-	-	-	143 663	59 654	22 292	-	-	81 946	61 717	10 000
Library Books	1 228 788	-	-	-	-	1 228 788	737 273	245 758	-	-	983 031	245 758	-
Other Office Equipment	3 841 132	115 500	-	-	-	3 956 632	3 315 121	118 731	-	-	3 433 852	522 780	1 265 930
Paintings and Sculptures	63 218	-	-	-	-	63 218	34 550	2 002	-	-	36 552	26 666	-
Library Books	7 974 943	103 760	-	-	-	8 078 703	5 761 168	689 323	-	-	6 450 492	1 628 212	-
<i>Plant and Equipment:</i>													
Bicycles	1 964	-	-	-	-	1 964	817	266	-	-	1 083	882	-
Electric Wire and Power Tools	944 090	-	-	-	-	944 090	142 254	164 385	-	-	306 639	637 451	-
Farm Equipment	726 588	-	-	-	-	726 588	234 971	42 462	-	-	277 432	449 155	-
Gardening Equipment	1 497 257	-	-	-	-	1 497 257	1 115 677	142 738	-	-	1 258 414	238 843	-
Laboratory Equipment	266 942	-	-	-	-	266 942	72 547	34 713	-	-	107 259	159 683	-
Other Plant and Equipment	4 489 899	-	-	-	-	4 489 899	3 924 463	217 436	-	-	4 141 898	348 001	62 700
Pumps and Plumbing Equipment	2 154 579	40 000	-	-	-	2 194 579	358 311	185 212	-	-	543 523	1 651 056	-
Radio Equipment	531 780	-	-	-	-	531 780	413 627	30 302	-	-	443 928	87 852	11 000
Road Construction Equipment	14 615 951	5 890 768	-	-	-	20 506 719	2 321 929	983 249	-	-	3 305 178	17 201 541	-
Satellite Tracking Equipment	71 534	-	-	-	-	71 534	34 227	8 180	-	-	42 407	29 127	-
Security Equipment	841 863	3 900	-	-	-	845 763	494 147	141 546	-	-	635 692	210 071	-
Sport & Recreational Equipment	526 038	-	-	-	-	526 038	143 237	51 824	-	-	195 061	330 977	-
Telecommunication Equipment	383 305	-	-	-	-	383 305	283 504	28 506	-	-	312 011	71 294	-
Woodworking Machinery/Equipme	439 430	-	-	-	-	439 430	197 743	39 549	-	-	237 292	202 138	4 270 000
Workshop Equipment	4 136 222	222 942	-	-	-	4 359 164	2 482 017	385 007	-	-	2 867 024	1 492 140	3 299 260
<i>Specialised Vehicles:</i>													
Sewerage Collection Vehicles	3 121 035	-	-	-	-	3 121 035	1 051 028	280 893	-	-	1 331 922	1 789 113	-
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	50	0	-	-	50	1	-
	<b>115 114 463</b>	<b>13 155 903</b>	-	-	<b>(767 826)</b>	<b>127 502 540</b>	<b>65 869 061</b>	<b>8 854 057</b>	-	<b>(403 109)</b>	<b>74 320 009</b>	<b>53 182 530</b>	<b>27 792 251</b>
<b>Total</b>	<b>1 780 074 958</b>	<b>15 514 917</b>	<b>693 917 823</b>	<b>224 923 630</b>	<b>(767 826)</b>	<b>2 713 663 502</b>	<b>566 245 475</b>	<b>83 333 813</b>	-	<b>(403 109)</b>	<b>649 176 180</b>	<b>2 064 487 323</b>	<b>564 188 538</b>
						0.00					0.00	0.00	



**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	4 564 000	-	-	-	-	4 564 000	1 830 155	87 884	-	-	1 918 039	2 645 961	-
	<b>4 564 000</b>	-	-	-	-	<b>4 564 000</b>	<b>1 830 155</b>	<b>87 884</b>	-	-	<b>1 918 039</b>	<b>2 645 961</b>	-
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2016
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	6 938 095	-	-	-	-	6 938 095	4 710 889	446 378	-	-	5 157 268	1 780 828	1 045 140
	<b>6 938 095</b>	-	-	-	-	<b>6 938 095</b>	<b>4 710 889</b>	<b>446 378</b>	-	-	<b>5 157 268</b>	<b>1 780 828</b>	<b>1 045 140</b>
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 41821
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
	<b>5 736 342</b>	-	-	-	-	<b>5 736 342</b>	-	-	-	-	-	<b>5 736 342</b>	-
						0.00							
<b>Total Asset Register</b>	<b>1 797 313 396</b>	<b>15 514 917</b>	<b>693 917 823</b>	<b>224 923 630</b>	<b>(767 826)</b>	<b>2 730 901 940</b>	<b>572 786 520</b>	<b>83 868 075</b>	<b>-</b>	<b>(403 109)</b>	<b>656 251 487</b>	<b>2 074 650 453</b>	<b>565 233 678</b>

**APPENDIX C**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	7 063 993	782 460	-	-	(767 826)	7 078 626	5 359 511	311 637	-	(403 109)	5 268 040	1 810 587
Budget and Treasury Office	6 479 528	41 651	-	-	-	6 521 179	5 261 437	258 362	-	-	5 519 799	1 001 380
Corporate Services	227 696 496	46 105	13 236 919	2 368	-	240 981 887	74 282 586	5 864 965	-	-	80 147 552	160 834 336
Community and Social Services	28 925 604	111 385	-	-	-	29 036 989	10 795 072	1 953 445	-	-	12 748 517	16 288 472
Public Safety	7 810 447	115 500	159 110	-	-	8 085 057	4 914 118	441 209	-	-	5 355 328	2 729 729
Sport and Recreation	61 952 979	91 904	27 911 131	-	-	89 956 015	12 328 491	3 317 532	-	-	15 646 023	74 309 992
Housing	515 586	-	-	-	-	515 586	68 745	51 559	-	-	120 303	395 283
Health	14 663	-	-	-	-	14 663	13 771	330	-	-	14 101	562
Environmental Protection	254 970	-	-	-	-	254 970	220 947	6 046	-	-	226 994	27 976
Planning and Development	5 108 727	7 984	-	18 681	-	5 135 391	2 272 488	200 076	-	-	2 472 565	2 662 827
Roads and Transport	682 449 280	4 925 733	18 399 733	67 466 823	-	773 241 569	221 264 868	21 687 797	-	-	242 952 666	530 288 903
Electricity	178 845 774	128 288	9 266 833	5 475 812	-	193 716 707	56 126 835	6 735 026	-	-	62 861 861	130 854 847
Waste Management	28 011 636	(1 061 165)	-	-	-	26 950 471	11 566 631	2 226 898	-	-	13 793 530	13 156 942
Waste Water Management	92 204 698	-	109 148 360	-	-	201 353 059	25 993 509	4 365 619	-	-	30 359 127	170 993 931
Water	466 947 456	10 325 072	515 795 736	151 897 963	-	1 144 966 227	141 661 597	36 331 322	-	-	177 992 920	966 973 307
Other	3 031 560	-	-	61 983	-	3 093 542	655 913	116 250	-	-	772 163	2 321 379
<b>Total</b>	<b>1 797 313 396</b>	<b>15 514 917</b>	<b>693 917 823</b>	<b>224 923 630</b>	<b>(767 826)</b>	<b>2 730 901 940</b>	<b>572 786 520</b>	<b>83 868 075</b>	<b>-</b>	<b>(403 109)</b>	<b>656 251 487</b>	<b>2 074 650 453</b>

**APPENDIX D**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					<b>Municipal Governance and Administration</b>					
306 113 527	300 558 903	115 592 918	116 337 405	190 520 609	Executive and Council	367 698 769	355 718 054	127 122 855	109 248 018	240 575 914
74 505 428	57 756 254	33 060 528	39 761 845	41 444 900	Budget and Treasury Office	74 870 735	61 793 158	15 305 485	22 081 088	59 565 250
24 006 314	14 532 400	88 379 697	100 274 686	(64 373 383)	Corporate Services	37 642 842	37 013 649	83 856 338	97 665 276	(46 213 496)
					<b>Community and Public Safety</b>					
582 413	400 712	11 441 277	11 455 058	(10 858 864)	Community and Social Services	363 797	433 277	11 628 933	13 242 354	(11 265 136)
10 332 275	8 159 999	25 830 496	25 867 713	(15 498 221)	Public Safety	10 310 048	8 600 637	26 743 861	28 327 456	(16 433 814)
4 972 347	21 025 121	12 078 767	12 084 516	(7 106 420)	Sport and Recreation	22 590 789	21 126 415	11 982 343	12 501 044	10 608 445
143 175	141 012	122 474	168 710	20 701	<b>Housing</b>	147 248	149 754	170 813	188 935	(23 565)
-	-	20 594	58 111	(20 594)	<b>Health</b>	-	-	19 277	50 188	(19 277)
					<b>Economic and Environmental Services</b>					
6 177	22 282	1 770 000	1 949 850	(1 763 823)	Environmental Protection	4 325	-	1 903 838	2 379 551	(1 899 512)
523 126	497 753	15 660 367	18 764 816	(15 137 240)	Planning and Development	767 003	470 623	19 329 537	23 847 926	(18 562 534)
45 376 422	45 083 089	74 542 530	79 366 973	(29 166 108)	Roads and Transport	44 932 991	40 532 071	116 678 505	129 459 978	(71 745 514)
					<b>Trading Services</b>					
197 406 703	199 579 166	177 565 968	181 352 883	19 840 734	Electricity	227 366 225	234 678 201	204 098 588	215 577 642	23 267 637
15 048 404	15 652 067	27 912 234	29 539 642	(12 863 830)	Waste Management	15 570 453	17 346 872	29 778 444	44 245 682	(14 207 991)
55 868 447	20 332 067	15 471 039	16 425 590	40 397 408	Waste Water Management	40 087 543	40 306 435	26 462 343	27 765 093	13 625 200
193 149 769	352 672 343	168 387 196	176 115 943	24 762 573	Water	398 598 218	356 419 068	185 603 045	167 622 790	212 995 174
-	-	1 751 272	2 187 007	(1 751 272)	<b>Other</b>	-	-	1 679 811	2 684 006	(1 679 811)
<b>928 034 527</b>	<b>1 036 413 168</b>	<b>769 587 356</b>	<b>811 710 748</b>	<b>158 447 171</b>	Sub-Total	<b>1 240 950 986</b>	<b>1 174 588 214</b>	<b>862 364 015</b>	<b>896 887 027</b>	<b>378 586 972</b>
					Revenue Foregone					
<b>928 034 527</b>	<b>1 036 413 168</b>	<b>769 587 356</b>	<b>811 710 748</b>	<b>158 447 171</b>	Total	<b>1 240 950 986</b>	<b>1 174 588 214</b>	<b>862 364 015</b>	<b>896 887 027</b>	<b>378 586 972</b>

**APPENDIX E(1)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Governance and Administration:</b>															
Executive and Council	354 554 625	-	354 554 625	-	1 163 429	355 718 054	367 698 769	-	11 980 715	103.37	103.71				306 113 527
Budget and Treasury Office	59 438 658	-	59 438 658	-	2 354 500	61 793 158	74 870 735	-	13 077 577	121.16	125.96				74 505 428
Corporate Services	17 013 649	-	17 013 649	-	20 000 000	37 013 649	37 642 842	-	629 193	101.70	221.25				24 006 314
<b>Community and Public Safety:</b>															
Community and Social Services	433 277	-	433 277	-	-	433 277	363 797	-	(69 480)	83.96	83.96				582 413
Sport and Recreation	22 359 921	-	22 359 921	-	(1 233 506)	21 126 415	22 590 789	-	1 464 374	106.93	101.03				4 972 347
Public Safety	8 600 637	-	8 600 637	-	-	8 600 637	10 310 048	-	1 709 411	119.88	119.88				10 332 275
Housing	149 754	-	149 754	-	-	149 754	147 248	-	(2 506)	98.33	98.33				143 175
Health	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Economic and Environmental Services:</b>															
Planning and Development	470 623	-	470 623	-	-	470 623	767 003	-	296 380	162.98	162.98				523 126
Road Transport	43 695 016	-	43 695 016	-	(3 162 945)	40 532 071	44 932 991	-	4 400 920	110.86	102.83				45 376 422
Environmental Protection	-	-	-	-	-	-	4 325	-	4 325	0.00	0.00				6 177
<b>Trading Services:</b>															
Electricity	234 678 201	-	234 678 201	-	-	234 678 201	227 366 225	-	(7 311 976)	96.88	96.88				197 406 703
Water	283 656 531	-	283 656 531	-	72 762 537	356 419 068	398 598 218	-	42 179 150	111.83	140.52				193 149 769
Waste Water Management	39 848 641	-	39 848 641	-	457 794	40 306 435	40 087 543	-	(218 892)	99.46	100.60				55 868 447
Waste Management	17 346 872	-	17 346 872	-	-	17 346 872	15 570 453	-	(1 776 419)	89.76	89.76				15 048 404
<b>Other:</b>															
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Total Revenue - Standard</b>	<b>1 082 246 405</b>	<b>-</b>	<b>1 082 246 405</b>	<b>-</b>	<b>92 341 809</b>	<b>1 174 588 214</b>	<b>1 240 950 986</b>	<b>-</b>	<b>66 362 772</b>	<b>105.65</b>	<b>114.66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>928 034 527</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	104 831 939	-	104 831 939	-	4 416 079	109 248 018	127 122 855	-	17 874 837	116.36	121.26				115 592 918
Budget and Treasury Office	22 515 932	-	22 515 932	-	(434 844)	22 081 088	15 305 485	-	(6 775 603)	69.31	67.98				33 060 528
Corporate Services	94 408 751	-	94 408 751	-	3 256 525	97 665 276	83 856 338	-	(13 808 938)	85.86	88.82				88 379 697
<b>Community and Public Safety:</b>															
Community and Social Services	14 774 579	-	14 774 579	-	(1 532 225)	13 242 354	11 628 933	-	(1 613 421)	87.82	78.71				11 441 277
Sport and Recreation	13 750 179	-	13 750 179	-	(1 249 135)	12 501 044	11 982 343	-	(518 701)	95.85	87.14				12 078 767
Public Safety	30 395 923	-	30 395 923	-	775 971	31 171 894	29 333 949	-	(1 837 945)	94.10	96.51				28 246 950
Housing	1 475 199	-	1 475 199	-	72 388	1 547 587	819 010	-	(728 577)	52.92	55.52				1 001 013
Health	361 188	-	361 188	-	(311 000)	50 188	19 277	-	(30 911)	38.41	5.34				20 594
<b>Economic and Environmental Services:</b>															
Planning and Development	23 753 483	-	23 753 483	-	94 443	23 847 926	19 329 537	-	(4 518 389)	81.05	81.38				15 660 367
Road Transport	75 154 865	-	75 154 865	-	54 305 113	129 459 978	116 678 505	-	(12 781 473)	90.13	155.25				74 542 530
Environmental Protection	2 442 896	-	2 442 896	-	(63 345)	2 379 551	1 903 838	-	(475 713)	80.01	77.93				1 770 000
<b>Trading Services:</b>															
Electricity	228 861 405	-	228 861 405	-	(16 128 201)	212 733 204	201 508 500	-	(11 224 704)	94.72	88.05				175 149 514
Water	124 869 021	-	124 869 021	-	42 753 769	167 622 790	185 603 045	-	17 980 254	110.73	148.64				168 387 196
Waste Water Management	15 421 109	-	15 421 109	-	12 343 984	27 765 093	26 462 343	-	(1 302 751)	95.31	171.60				15 471 039
Waste Management	28 294 805	-	28 294 805	-	15 950 877	44 245 682	29 778 444	-	(14 467 238)	67.30	105.24				27 912 234
<b>Other:</b>															
Tourism	1 896 451	-	1 896 451	-	(571 097)	1 325 354	1 031 614	-	(293 740)	77.84	54.40				872 733
<b>Total Expenditure - Standard</b>	<b>783 207 725</b>	<b>-</b>	<b>783 207 725</b>	<b>-</b>	<b>113 679 302</b>	<b>896 887 027</b>	<b>862 364 015</b>	<b>-</b>	<b>(34 523 012)</b>	<b>96.15</b>	<b>110.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>769 587 356</b>
<b>Surplus/(Deficit) for the year</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>378 586 972</b>	<b>-</b>	<b>100 885 785</b>	<b>136.33</b>	<b>126.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158 447 171</b>

**APPENDIX E (2)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	354 554 625	-	354 554 625	-	1 163 429	355 718 054	367 698 769	-	11 980 715	103.37	103.71				306 113 527
Vote 2 - FINANCE DEPARTMENT	59 438 658	-	59 438 658	-	2 354 500	61 793 158	74 870 735	-	13 077 577	121.16	125.96				74 505 428
Vote 3 - CORPORATE SERVICES	12 201 588	-	12 201 588	-	20 000 000	32 201 588	32 839 726	-	638 138	101.98	269.14				20 093 892
Vote 4 - COMMUNITY SERVICES	40 049 539	-	40 049 539	-	(1 233 506)	38 816 033	38 415 713	-	(400 320)	98.97	95.92				20 531 026
Vote 5 - DEVELOPMENT SERVICES	224	-	224	-	-	224	20 699	-	20 475	9 240.42	9 240.42				19 319
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	16 561 971	-	16 561 971	-	150 000	16 711 971	18 118 703	-	1 406 732	108.42	109.40				18 024 908
Vote 7 - ELECTRICAL	234 681 005	-	234 681 005	-	-	234 681 005	227 366 404	-	(7 314 601)	96.88	96.88				197 407 808
Vote 8 - TECHNICAL SERVICES	364 758 795	-	364 758 795	-	69 907 386	434 666 181	481 620 237	-	46 954 056	110.80	132.04				291 338 620
Total Revenue by Vote	1 082 246 405	-	1 082 246 405	-	92 341 809	1 174 588 214	1 240 950 986	-	66 362 772	105.65	114.66	-	-	-	928 034 527
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	104 831 939	-	104 831 939	-	4 416 079	109 248 018	127 122 855	-	17 874 837	116.36	121.26				115 592 918
Vote 2 - FINANCE DEPARTMENT	22 515 932	-	22 515 932	-	(434 844)	22 081 088	15 305 485	-	(6 775 603)	69.31	67.98				33 060 528
Vote 3 - CORPORATE SERVICES	37 264 484	-	37 264 484	-	412 359	37 676 843	28 098 102	-	(9 578 741)	74.58	75.40				22 962 398
Vote 4 - COMMUNITY SERVICES	57 507 110	-	57 507 110	-	12 923 499	70 430 609	53 864 631	-	(16 565 978)	76.48	93.67				51 561 852
Vote 5 - DEVELOPMENT SERVICES	23 836 149	-	23 836 149	-	(2 090 758)	21 745 391	16 560 994	-	(5 184 397)	76.16	69.48				15 261 737
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	54 575 450	-	54 575 450	-	10 132 048	64 707 498	62 450 732	-	(2 256 766)	96.51	114.43				76 068 558
Vote 7 - ELECTRICAL	255 525 581	-	255 525 581	-	(16 149 650)	239 375 931	223 661 014	-	(15 714 917)	93.44	87.53				195 048 571
Vote 8 - TECHNICAL SERVICES	227 151 080	-	227 151 080	-	104 470 569	331 621 649	335 300 202	-	3 678 553	101.11	147.61				260 030 795
Total Expenditure by Vote	783 207 725	-	783 207 725	-	113 679 302	896 887 027	862 364 015	-	(34 523 012)	96.15	110.11	-	-	-	769 587 356
Surplus/(Deficit) for the year	299 038 680	-	299 038 680	-	(21 337 493)	277 701 187	378 586 972	-	100 885 785	136.33	126.60	-	-	-	158 447 171



**APPENDIX E (3)**  
**MOGALAKWENA MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>															
Property Rates	54 402 557	-	54 402 557	-	2 000 000	56 402 557	55 459 979	-	(942 578)	98.33	101.94	-	-	-	50 368 506
Service Charges - Electricity	214 731 483	-	214 731 483	-	-	214 731 483	212 374 207	-	(2 357 276)	98.90	98.90	-	-	-	183 106 818
Service Charges - Water	60 702 701	-	60 702 701	-	5 000 000	65 702 701	58 101 308	-	(7 601 393)	88.43	95.71	-	-	-	49 568 567
Service Charges - Sanitation	16 147 866	-	16 147 866	-	-	16 147 866	14 316 791	-	(1 831 075)	88.66	88.66	-	-	-	14 165 013
Service Charges - Refuse	13 886 781	-	13 886 781	-	-	13 886 781	12 110 362	-	(1 776 419)	87.21	87.21	-	-	-	11 813 724
Rental of Facilities and Equipment	1 080 542	-	1 080 542	-	-	1 080 542	571 872	-	(508 670)	52.92	52.92	-	-	-	906 903
Interest Earned - External Investments	26 229 700	-	26 229 700	-	1 000 000	27 229 700	38 940 023	-	11 710 323	143.01	148.46	-	-	-	34 756 864
Interest Earned - Outstanding Debtors	2 800 101	-	2 800 101	-	-	2 800 101	16 228 989	-	13 428 888	579.59	579.59	-	-	-	17 969 233
Fines	1 815 233	-	1 815 233	-	-	1 815 233	3 163 638	-	1 348 405	174.28	174.28	-	-	-	5 165 864
Licences and Permits	74 212	-	74 212	-	-	74 212	77 531	-	3 319	104.47	104.47	-	-	-	32 395
Agency Services	8 256 209	-	8 256 209	-	150 000	8 406 209	8 125 789	-	(280 420)	96.66	98.42	-	-	-	7 940 469
Transfers Recognised - Operational	434 139 916	(196 706 574)	237 433 342	-	63 673 880	301 107 222	376 107 402	-	75 000 180	124.91	86.63	-	-	-	529 809 130
Other Revenue	2 290 953	-	2 290 953	-	517 929	2 808 882	3 971 266	-	1 162 384	141.38	173.35	-	-	-	4 310 511
Gains on Disposal of PPE	10 193 000	-	10 193 000	-	20 000 000	30 193 000	31 981 893	-	1 788 893	105.92	313.76	-	-	-	18 120 530
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>846 751 254</b>	<b>(196 706 574)</b>	<b>650 044 680</b>	<b>-</b>	<b>92 341 809</b>	<b>742 386 489</b>	<b>831 531 050</b>	<b>-</b>	<b>89 144 561</b>	<b>112.01</b>	<b>98.20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>928 034 527</b>
<b>Expenditure</b>															
Employee Related Costs	241 237 380	-	241 237 380	-	3 114 556	244 351 936	213 228 681	-	(31 123 255)	87.26	88.39	-	-	-	198 930 704
Remuneration of Councillors	19 475 717	-	19 475 717	-	-	19 475 717	19 703 859	228 142	228 142	101.17	101.17	-	-	-	17 832 310
Debt Impairment	47 820 650	-	47 820 650	-	-	47 820 650	79 293 475	31 472 825	31 472 825	165.81	165.81	-	-	-	60 054 543
Depreciation and Asset Impairment	77 348 852	-	77 348 852	-	-	77 348 852	83 868 075	6 519 223	6 519 223	108.43	108.43	-	-	-	77 108 748
Finance Charges	-	-	-	-	-	-	271 023	271 023	271 023	0.00	0.00	-	-	-	856 722
Bulk Purchases	197 974 999	-	197 974 999	-	(1 383 503)	196 591 496	196 551 593	-	(39 903)	99.98	99.28	-	-	-	169 305 609
Other Materials	65 916 877	-	65 916 877	-	77 537 525	143 454 402	120 857 876	-	(22 596 526)	84.25	183.35	-	-	-	86 018 288
Contracted Services	30 841 670	-	30 841 670	-	(1 901 093)	28 940 577	28 844 404	-	(96 173)	99.67	93.52	-	-	-	63 255 721
Transfers and Grants	26 998 088	-	26 998 088	-	10 538 246	37 536 334	27 619 201	-	(9 917 133)	73.58	102.30	-	-	-	18 766 620
Other Expenditure	75 593 492	-	75 593 492	-	25 773 571	101 367 063	91 761 110	-	(9 605 953)	90.52	121.39	-	-	-	77 458 091
Loss on Disposal of PPE	-	-	-	-	-	-	364 717	364 717	364 717	0.00	0.00	-	-	-	-
<b>Total Expenditure</b>	<b>783 207 725</b>	<b>-</b>	<b>783 207 725</b>	<b>-</b>	<b>113 679 302</b>	<b>896 887 027</b>	<b>862 364 015</b>	<b>38 855 930</b>	<b>(34 523 012)</b>	<b>96.15</b>	<b>110.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>769 587 356</b>
<b>Surplus/(Deficit)</b>	<b>63 543 529</b>	<b>(196 706 574)</b>	<b>(133 163 045)</b>	<b>-</b>	<b>(21 337 493)</b>	<b>(154 500 538)</b>	<b>(30 832 965)</b>	<b>(38 855 930)</b>	<b>123 667 573</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158 447 171</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	409 419 936	-	(22 781 789)	94.73	173.85	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>299 038 680</b>	<b>-</b>	<b>299 038 680</b>	<b>-</b>	<b>(21 337 493)</b>	<b>277 701 187</b>	<b>378 586 972</b>	<b>(38 855 930)</b>	<b>100 885 785</b>	<b>136.33</b>	<b>126.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158 447 171</b>

**APPENDIX E(4)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>CAPITAL EXPENDITURE - VOTE</b>	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Multi-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 2 - FINANCE DEPARTMENT		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 3 - CORPORATE SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 5 - DEVELOPMENT SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 7 - ELECTRICAL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 8 - TECHNICAL SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
<b>Total Capital Expenditure - Multi-year</b>	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Single-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL	910 000	-	910 000	-	-	910 000	782 460	-	(127 540)	85.98	85.98	-	-	-	-
Vote 2 - FINANCE DEPARTMENT	978 500	-	978 500	-	(922 848)	55 652	41 651	-	(14 001)	74.84	4.26	-	-	-	57 076
Vote 3 - CORPORATE SERVICES	9 633 000	-	9 633 000	-	5 329 296	14 962 296	11 395 768	-	(3 566 528)	76.16	118.30	-	-	-	4 938 083
Vote 4 - COMMUNITY SERVICES	34 558 500	-	34 558 500	-	3 015 136	37 573 636	23 211 743	-	(14 361 893)	61.78	67.17	-	-	-	12 476 921
Vote 5 - DEVELOPMENT SERVICES	426 930	-	426 930	-	-	426 930	126 009	-	(300 921)	29.52	29.52	-	-	-	13 534
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	1 526 900	-	1 526 900	-	(434 900)	1 092 000	132 598	-	(959 402)	12.14	8.68	-	-	-	43 685
Vote 7 - ELECTRICAL	24 643 850	-	24 643 850	-	5 862 719	30 506 569	6 153 567	-	(24 353 002)	20.17	24.97	-	-	-	9 209 981
Vote 8 - TECHNICAL SERVICES	337 211 000	-	337 211 000	-	142 495 595	479 706 595	472 510 754	-	(7 195 841)	98.50	140.12	-	-	-	208 583 687
<b>Total Capital Expenditure - Single-year</b>	409 888 680	-	409 888 680	-	155 344 998	565 233 678	514 354 550	-	(50 879 128)	91.00	125.49	-	-	-	235 322 966
<b>Total Capital Expenditure - Vote</b>	<b>409 888 680</b>	<b>-</b>	<b>409 888 680</b>	<b>-</b>	<b>155 344 998</b>	<b>565 233 678</b>	<b>514 354 550</b>	<b>-</b>	<b>(50 879 128)</b>	<b>91.00</b>	<b>125.49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235 322 966</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	910 000	-	910 000	-	-	910 000	782 460	-	(127 540)	85.98	85.98	-	-	-	-
Budget and Treasury Office	978 500	-	978 500	-	(922 848)	55 652	41 651	-	(14 001)	74.84	4.26	-	-	-	(5 144 952)
Corporate Services	10 033 000	-	10 033 000	-	4 893 129	14 926 129	11 395 768	-	(3 530 361)	76.35	113.58	-	-	-	5 202 028
<b>Community and Public Safety:</b>															
Community and Social Services	2 675 000	-	2 675 000	-	(663 500)	2 011 500	111 385	-	(1 900 115)	5.54	4.16	-	-	-	704 732
Sport and Recreation	25 725 000	-	25 725 000	-	3 973 636	29 698 636	23 307 878	-	(6 390 758)	78.48	90.60	-	-	-	4 861 918
Public Safety	988 900	-	988 900	-	30 600	1 019 500	115 500	-	(904 000)	11.33	11.68	-	-	-	1 765
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	178 930	-	178 930	-	-	178 930	7 984	-	(170 946)	4.46	4.46	-	-	-	10 026
Road Transport	51 401 000	-	51 401 000	-	3 019 376	54 420 376	62 059 831	7 639 455	7 639 455	114.04	120.74	-	-	-	38 235 784
Environmental Protection	25 000	-	25 000	-	-	25 000	-	-	(25 000)	0.00	0.00	-	-	-	-
<b>Trading Services:</b>															
Electricity	24 628 850	-	24 628 850	-	5 864 386	30 493 236	5 723 143	-	(24 770 093)	18.77	23.24	-	-	-	9 209 981
Water	219 462 025	-	219 462 025	-	143 878 708	363 340 733	349 848 482	-	(13 492 251)	96.29	159.41	-	-	-	127 959 015
Waste Water Management	66 418 975	-	66 418 975	-	(4 433 489)	61 985 486	61 940 970	-	(44 516)			-	-	-	42 137 663
Waste Management	6 208 500	-	6 208 500	-	(295 000)	5 913 500	(1 061 165)	-	(6 974 665)	0.00	0.00	-	-	-	(34 591 364)
<b>Other:</b>															
Tourism	255 000	-	255 000	-	-	255 000	80 664	-	(174 336)	31.63	31.63	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>409 888 680</b>	<b>-</b>	<b>409 888 680</b>	<b>-</b>	<b>155 344 998</b>	<b>565 233 678</b>	<b>514 354 550</b>	<b>7 639 455</b>	<b>(50 879 128)</b>	<b>91.00</b>	<b>125.49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188 586 595</b>
<b>FUNDED BY:</b>															
National Government	290 668 000	-	290 668 000	-	151 936 558	442 604 558	408 445 642	-	(34 158 916)	92.28	140.52	-	-	-	207 568 274
District Municipality	-	-	-	-	1 724 464	1 724 464	974 294	-	(750 170)	56.50	0.00	-	-	-	229 056
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Transfers Recognised - Capital</b>	290 668 000	-	290 668 000	-	153 661 022	444 329 022	409 419 936	-	(34 909 086)	92.14	140.85	-	-	-	207 797 330
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	119 220 680	-	119 220 680	-	1 683 976	120 904 656	104 934 613	-	(15 970 043)	86.79	88.02	-	-	-	27 525 636
<b>Total Capital Funding</b>	<b>409 888 680</b>	<b>-</b>	<b>409 888 680</b>	<b>-</b>	<b>155 344 998</b>	<b>565 233 678</b>	<b>514 354 550</b>	<b>-</b>	<b>(50 879 128)</b>	<b>91.00</b>	<b>125.49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235 322 966</b>

**APPENDIX E(5)**  
**MOGALAKWENA MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16								2014/15
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	375 145 041	-	375 145 041	375 145 041	289 003 196	(86 141 845)	77.04	77.04	315 090 040
Government - Operating	432 383 412	(196 706 574)	235 676 838	235 676 838	416 414 312				264 765 148
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	409 419 936	(22 781 789)	94.73	173.85	207 955 076
Interest	29 029 801	-	29 029 801	29 029 801	38 981 810	9 952 009	134.28	134.28	35 339 420
<b>Payments</b>									
Suppliers and Employees	(631 390 135)	-	(631 390 135)	(620 851 889)	(643 154 533)	(22 302 644)	0.00	0.00	(533 299 722)
Finance Charges	-	-	-	-	(271 023)	(271 023)	0.00	0.00	(856 722)
Transfers and Grants	(26 998 088)	-	(26 998 088)	(37 536 334)	(27 619 201)	9 917 133	0.00	0.00	(18 766 620)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	413 665 182	-	413 665 182	413 665 182	482 774 496	(111 628 159)	116.71	116.71	270 226 620
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	10 193 000	-	10 193 000	10 193 000	31 981 893	21 788 893	313.76	313.76	18 120 530
Decrease / (Increase) in Non-current Debtors	-	-	-	-	503 646	503 646	0.00	0.00	926 225
<b>Payments</b>									
Capital Assets	(409 888 680)	-	(409 888 680)	(409 888 680)	(514 354 550)	(104 465 870)	0.00	0.00	(229 023 306)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(399 695 680)	-	(399 695 680)	(399 695 680)	(481 869 011)	(82 173 331)	0.00	0.00	(209 976 552)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	-	-	-	-	-	-	0.00	0.00	-
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	(13 969 502)	-	(13 969 502)	(13 969 502)	(905 485)	13 064 017	0.00	0.00	(60 250 068)
Cash / Cash Equivalents at the Year begin:	296 217 412	-	296 217 412	296 217 412	524 537 159	228 319 747	177.08	177.08	464 287 091
Cash / Cash Equivalents at the Year end:	310 186 914	-	310 186 914	310 186 914	525 442 644	215 255 730	169.40	169.40	524 537 159



**APPENDIX F**  
**MOGALAKWENA MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	142 318 000	110 380 000	85 391 000	0	84 522 250	84 522 250	84 522 250	84 522 250	0	0	0	-3 474 000	MIG	Yes	N/A
FMG	Nat Treasury	1 600 000	0	0	0	20 238	291 288	126 856	1 161 618	0	0	0	0	N/A	Yes	N/A
MIG Projects	MIG	26 300 000	22 190 000	94 748 000	0	13 589 489	51 148 509	18 290 931	53 946 049	0	0	0	3 474 000	Non-spending	Yes	N/A
MWIG	DWAF	5 000 000	10 000 000	5 000 000	0	2 584 376	6 053 189	4 525 295	5 859 536	0	0	0	0	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	121 861 725	56 592 043	72 190 179	32 008 332	113 557 393	36 355 458	35 041 289	65 564 256	0	0	0	0	N/A	Yes	N/A
DWAF Refurbishment	DWAF	5 000 000	10 000 000	5 000 000	0	0	5 150 678	5 095 626	8 861 788	0	0	0	0	N/A	Yes	N/A
DME Projects	DME	1 700 000	5 075 000	3 225 000	0	2 250 520	1 644 674	961 078	1 819 484	0	0	0	0	N/A	Yes	N/A
MSIG	DPLG	930 000	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
EPWP Incentive Grant	Province	860 000	645 000	645 000	0	494 255	345 708	643 566	666 472	0	0	0	0	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>305 569 725</b>	<b>214 882 043</b>	<b>266 199 179</b>	<b>32 008 332</b>	<b>217 018 522</b>	<b>185 511 754</b>	<b>149 206 889</b>	<b>222 401 452</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

**APPENDIX G**  
**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Sebatjane M.P.	-	498 275	-	217 633	92 021	-	-	-	-	-	-	807 929
<b>Speaker</b>												
Matsemela R.A.	-	411 297	-	213 450	61 549	-	-	-	-	-	-	686 296
<b>Executive Committee</b>												
Langa L.D.	-	384 976	-	199 242	57 746	-	-	-	-	-	-	641 964
Lebelo M.R. (Ms)	-	352 514	-	168 079	57 794	-	-	-	-	-	-	578 387
Maritz F.M.	-	57 701	-	24 451	-	-	-	-	-	-	-	82 151
Mathebula H.S.	-	197 714	-	152 367	46 937	-	-	-	-	-	-	397 018
Mokwele M.F.	-	212 739	-	152 723	31 911	-	-	-	-	-	-	397 373
Molekoa R.M.	-	212 739	-	107 228	31 911	-	-	-	-	-	-	351 878
Montane N.S.	-	384 976	-	168 442	57 746	-	-	-	-	-	-	611 164
Senoamadi M.M.	-	212 739	-	122 448	31 911	-	-	-	-	-	-	367 098
Tihaku M.S.	-	363 875	-	248 594	57 746	-	-	-	-	-	-	670 216
<b>Other Councillors</b>												
Baloyi H.T.	-	48 654	-	25 607	7 298	-	-	-	-	-	-	81 559
Choga R.S.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Coetzee A.	-	110 196	-	49 665	-	-	-	-	-	-	-	159 861
Debeila S.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Dekker K.Q.	-	217 917	-	93 522	-	-	-	-	-	-	-	311 439
Gwangwa L.P.	-	154 719	-	96 710	23 208	-	-	-	-	-	-	274 637
Kekana V.H.	-	140 945	-	97 490	36 982	-	-	-	-	-	-	275 417
Kganyago L.C.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Langa M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Langa M.O.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Lebelo L.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Legodi L.G.	-	154 719	-	97 038	23 208	-	-	-	-	-	-	274 965
Lentoane M.C.	-	154 719	-	86 761	23 208	-	-	-	-	-	-	264 688
Letlhaka M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Letwaba M.S.	-	154 719	-	101 539	23 208	-	-	-	-	-	-	279 466
Mabula N.S.	-	154 719	-	128 149	23 208	-	-	-	-	-	-	306 076
Madiba M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Magongoa S.D.	-	154 719	-	81 986	23 208	-	-	-	-	-	-	259 913
Mahlaela R.L.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Manamela L.E.	-	145 954	-	109 520	31 973	-	-	-	-	-	-	287 447
Manganyi M.E.	-	154 719	-	100 880	23 208	-	-	-	-	-	-	278 807
Mashala L.J.	-	154 719	-	97 273	23 208	-	-	-	-	-	-	275 200
Masipa S.R.	-	141 828	-	80 177	36 099	-	-	-	-	-	-	258 104
Mathabathe L.J.	-	154 719	-	129 022	23 208	-	-	-	-	-	-	306 949
Miloana M.M.	-	154 719	-	90 066	23 208	-	-	-	-	-	-	267 993
Mokgotho L.B.	-	129 478	-	88 710	48 449	-	-	-	-	-	-	266 637
Mokonyane N.P.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Molaba M.S.	-	154 719	-	95 273	23 208	-	-	-	-	-	-	273 200
Molomo L.S.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Monama M.A.	-	184 641	-	83 164	-	-	-	-	-	-	-	267 806
Monene R.N.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Morkel-Brink G.E.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Motlohoneng D.P.	-	154 719	-	80 962	23 208	-	-	-	-	-	-	258 889
Mutshinya M.F.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Ngwetjana L.N.	-	154 719	-	99 948	23 208	-	-	-	-	-	-	277 875
Phokela M.D.	-	154 719	-	107 295	23 208	-	-	-	-	-	-	285 222

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R	R	R	R	R	R
Pooe T.T.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Rapatsa M.M.	-	476 197	-	199 916	58 762	-	-	-	-	-	-	734 875
Ratema M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Rathupa M.E.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Satege L.K.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Sebele K.A.	-	154 719	-	105 286	23 208	-	-	-	-	-	-	283 213
Seema S.E.	-	158 587	-	86 147	19 340	-	-	-	-	-	-	264 074
Sekhu M.J.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Sekoala M.A.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Senosha S.C.G.	-	177 927	-	80 177	-	-	-	-	-	-	-	258 104
Senyelo N.M.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Serumula T.A.	-	116 602	-	52 561	-	-	-	-	-	-	-	169 162
Setlatjile K.D.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Somo M.L.	-	154 719	-	125 859	23 208	-	-	-	-	-	-	303 786
Surtee Z.	-	154 719	-	80 177	23 208	-	-	-	-	-	-	258 104
Tefu M.S.	-	154 719	-	86 844	23 208	-	-	-	-	-	-	264 771
Tsebe M.A.	-	360 449	-	170 906	82 273	-	-	-	-	-	-	613 628
<b>Total for Councillors</b>	-	11 934 099	-	6 547 182	1 730 348	-	-	-	-	-	-	20 211 629
<b>Municipal Manager</b>												
Makondo P. (Acting)	-	118 779	-	-	-	-	-	-	-	-	-	118 779
Mthombeni (Acting)	-	68 104	-	-	-	-	-	-	-	-	-	68 104
Nake M.P. (Acting)	-	45 928	-	-	-	-	-	-	-	-	-	45 928
<b>Chief Financial Officer</b>												
Hurn A. (Acting)	-	22 402	-	-	-	-	-	-	-	-	-	22 402
Joubert W.D. (Acting)	-	71 125	-	-	-	-	-	-	-	-	-	71 125
Mathibe B.L. (Acting)	-	11 841	-	-	-	-	-	-	-	-	-	11 841
Molenga S. (Acting)	-	5 185	-	-	-	-	-	-	-	-	-	5 185
Sekwakwa N.E. (Acting)	-	6 264	-	-	-	-	-	-	-	-	-	6 264
<b>Manager: Community Services</b>												
Molala M.N.	-	867 951	72 269	-	189 700	-	-	-	-	-	121 500	1 251 420
Madisha E.R. (Acting)	-	75 972	-	-	-	-	-	-	-	-	-	75 972
<b>Manager: Corporate Services</b>												
Ngope H.S.M. (Acting)	-	169 865	-	-	-	-	-	-	-	-	-	169 865
<b>Manager: Developmental Services</b>												
Letsoalo M.V.	-	368 404	34 868	-	227 647	-	-	-	-	-	218 277	849 196
Magale M.S. (Acting)	-	149 540	-	-	-	-	-	-	-	-	-	149 540
Seko L.D. (Acting)	-	5 500	-	-	-	-	-	-	-	-	-	5 500
<b>Manager: Traffic and Emergency Services</b>												
Mthombeni M.M. (Acting)	-	526 619	-	-	92 951	-	-	-	-	-	57 084	676 653
Sibanda M.A. (Acting)	-	186 686	-	-	-	-	-	-	-	-	-	186 686
<b>Manager: Technical Services</b>												
Malepa K.D. (Acting)	-	198 792	-	-	-	-	-	-	-	-	-	198 792
<b>Total for Senior Managers</b>	-	2 898 957	107 138	-	510 298	-	-	-	-	-	396 861	3 913 253
<b>Total for Management</b>	-	14 833 056	107 138	6 547 182	2 240 646	-	-	-	-	-	396 861	24 124 883

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Mashamaite T.A.	-	325 495	-	144 913	48 824	-	-	-	-	-	-	519 232
Mabuela M.W.	-	219 938	-	91 673	-	-	-	-	-	-	-	311 611
Sebatjane M.P.	-	18 861	-	8 065	4 269	-	-	-	-	-	-	31 194
<b>Speaker</b>												
Mabusela R.M. (Ms)	-	140 478	-	78 512	28 272	-	-	-	-	-	-	247 262
Lebelo M.R. (Ms)	-	266 769	-	131 218	43 180	-	-	-	-	-	-	441 167
<b>Executive Committee</b>												
Kgaphola T.A.	-	134 646	-	63 680	21 516	-	-	-	-	-	-	219 841
Langa L.D.	-	273 679	-	136 335	41 052	-	-	-	-	-	-	451 066
Mabuela F.M. (Ms)	-	143 438	-	63 680	21 516	-	-	-	-	-	-	228 633
Maritz F.M.	-	229 274	-	96 674	-	-	-	-	-	-	-	325 948
Mathebula H.S.	-	171 630	-	105 428	32 945	-	-	-	-	-	-	310 002
Matsemela R.A.	-	226 546	-	95 337	18 245	-	-	-	-	-	-	340 128
Mogotlane M.I.	-	69 972	-	38 936	20 753	-	-	-	-	-	-	129 661
Mokwele M.F.	-	123 338	-	64 517	9 846	-	-	-	-	-	-	197 701
Molekoa R.M.	-	176 629	-	91 595	26 494	-	-	-	-	-	-	294 718
Montane N.S.	-	273 679	-	125 778	41 052	-	-	-	-	-	-	440 509
Moseamedi M.M.	-	78 891	-	38 936	11 834	-	-	-	-	-	-	129 661
Mothibi R.E.	-	143 438	-	64 146	21 516	-	-	-	-	-	-	229 099
Ngobeni S.G.	-	78 891	-	60 221	11 834	-	-	-	-	-	-	150 945
Ramashala M.E. (Ms)	-	134 646	-	64 417	21 516	-	-	-	-	-	-	220 578
Ramasobana R.D.	-	78 891	-	40 168	11 834	-	-	-	-	-	-	130 892
Senoamadi M.M.	-	176 629	-	97 660	26 494	-	-	-	-	-	-	300 784
Tlhaku M.S.	-	252 579	-	162 482	41 052	-	-	-	-	-	-	456 112
<b>Other Councillors</b>												
Baloyi H.T.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Chauke M.J.	-	114 750	-	61 378	17 213	-	-	-	-	-	-	193 340
Choga R.S.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Dabula M.D.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Debeila S.A.	-	85 144	-	44 812	12 772	-	-	-	-	-	-	142 728
Dekker K.Q.	-	167 856	-	76 820	-	-	-	-	-	-	-	244 676
Gwangwa L.P.	-	96 091	-	48 753	1 825	-	-	-	-	-	-	146 669
Kekana R.L.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Kekana V.H.	-	132 018	-	96 547	34 782	-	-	-	-	-	-	263 348
Kgalo M.K.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Kganyago L.C.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Langa M.J.	-	86 969	-	44 812	10 947	-	-	-	-	-	-	142 728
Langa M.O.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Lebelo L.J.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Legodi L.G.	-	145 962	-	108 982	21 894	-	-	-	-	-	-	276 838
Lentoane M.C.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Letlhaka M.A.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Letwaba M.S.	-	85 144	-	44 812	12 772	-	-	-	-	-	-	142 728
Mabe P.S.	-	65 981	-	36 722	-	-	-	-	-	-	-	102 703
Mabula N.S.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Mabusela L.B.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Madiba M.J.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Madubana R.P.	-	52 105	-	38 853	13 876	-	-	-	-	-	-	104 834
Magongoa S.D.	-	145 962	-	78 512	21 894	-	-	-	-	-	-	246 368
Mahlaela R.L.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Malatjie K.D.	-	65 981	-	30 689	-	-	-	-	-	-	-	96 670
Maluleke R.P.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Manamela L.E.	-	130 936	-	108 600	36 920	-	-	-	-	-	-	276 456
Manganyi M.E.	-	145 962	-	85 952	21 894	-	-	-	-	-	-	253 808
Mashaba K.E.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Mashala L.J.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Mashilu M.M.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Masipa S.R.	-	134 204	-	76 820	33 649	-	-	-	-	-	-	244 673
Mathabathe L.J.	-	145 962	-	125 991	21 924	-	-	-	-	-	-	293 877
Miloana M.M.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Mokgotho L.B.	-	98 822	-	60 816	33 775	-	-	-	-	-	-	193 412
Mokonyane N.P.	-	85 144	-	44 812	12 772	-	-	-	-	-	-	142 728
Molaba M.S.	-	94 267	-	44 812	3 649	-	-	-	-	-	-	142 728
Molomo L.S.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Monene R.N.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Morkel-Brink G.E.	-	167 856	-	76 820	-	-	-	-	-	-	-	244 676
Motlohoneng D.P.	-	145 962	-	102 479	21 894	-	-	-	-	-	-	270 335
Mutshinya M.F.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Ngwetjana L.N.	-	145 962	-	91 700	21 894	-	-	-	-	-	-	259 556
Panyana R.E.	-	57 375	-	30 689	8 606	-	-	-	-	-	-	96 670
Phokela M.D.	-	145 962	-	82 407	21 894	-	-	-	-	-	-	250 263
Pila P.G.	-	143 438	-	63 680	21 516	-	-	-	-	-	-	228 633
Pooe T.T.	-	132 606	-	60 816	-	-	-	-	-	-	-	193 422
Rapatsa M.M.	-	94 267	-	60 519	3 649	-	-	-	-	-	-	158 435
Ratema M.A.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Rathupa M.E.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Satege L.K.	-	85 144	-	44 812	12 772	-	-	-	-	-	-	142 728
Sebele K.A.	-	86 969	-	44 812	10 947	-	-	-	-	-	-	142 728
Seema S.E.	-	97 916	-	55 357	-	-	-	-	-	-	-	153 273
Sekhu M.J.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Sekoala M.A.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Senosha S.C.G.	-	167 856	-	76 820	-	-	-	-	-	-	-	244 676
Senyelo N.M.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Setlatjile K.D.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Sithole S.A.	-	86 969	-	44 812	10 947	-	-	-	-	-	-	142 728
Somo M.L.	-	145 962	-	76 820	21 894	-	-	-	-	-	-	244 676
Surtee Z.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Tefu M.S.	-	88 793	-	44 812	9 123	-	-	-	-	-	-	142 728
Tsebe M.A.	-	251 352	-	125 778	63 379	-	-	-	-	-	-	440 509
<b>Total for Councillors</b>	-	11 017 421	-	5 855 791	1 484 858	-	-	-	-	-	-	18 358 070
<b>Municipal Manager</b>												
Kekana S.W.	-	545 278	-	181 483	161 055	-	-	-	-	-	-	887 817
Selepe P.P. (Acting)	-	132 588	-	50 469	-	-	-	-	-	-	-	183 057
<b>Chief Financial Officer</b>												
Tshesane A.M.	-	467 100	-	135 047	117 007	-	-	-	-	-	-	719 154
Sekwakwa N.E. (Acting)	-	60 513	-	17 467	-	-	-	-	-	-	-	77 980
Hurn A. (Acting)	-	29 312	-	12 008	-	-	-	-	-	-	-	41 321
<b>Manager: Community Services</b>												
Molala M.M.	-	869 408	72 389	120 000	188 243	-	-	-	-	-	-	1 250 040
Matabane G. (Acting)	-	278 483		-	-	-	-	-	-	-	-	278 483

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Manager: Corporate Services</b>												
De Villiers I. (Acting)	-	111 513	-	10 377	-	-	-	-	-	-	-	121 890
Bontsi B. (Acting)	-	30 390	-	9 472	-	-	-	-	-	-	-	39 862
Ngope H.S.M. (Acting)	-	71 062	-	7 329	-	-	-	-	-	-	-	78 391
Kgobe M. (Acting)	-	19 430	-	4 338	-	-	-	-	-	-	-	23 768
<b>Manager: Developmental Services</b>												
Letsoalo M.V.	-	384 498	-	90 616	112 816	-	-	-	-	-	-	587 930
Magale M.S. (Acting)	-	39 024	-	-	-	-	-	-	-	-	-	39 024
<b>Manager: Technical Services</b>												
Malepa K.D. (Acting)	-	201 526	-	-	-	-	-	-	-	-	-	201 526
Masia M.A (Acting)	-	88 305	-	-	-	-	-	-	-	-	-	88 305
<b>Manager: Traffic and Emergency Services</b>												
Buitendag L. (Acting)	-	205 080	-	18 164	-	-	-	-	-	-	-	223 245
Sibanda M.A. (Acting)	-	237 462	-	30 519	-	-	-	-	-	-	-	267 980
<b>Total for Senior Managers</b>	-	3 770 971	72 389	687 290	579 121	-	-	-	-	-	-	5 109 772
<b>Total for Management</b>	-	14 788 392	72 389	6 543 081	2 063 979	-	-	-	-	-	-	23 467 841



**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		37.36%	23.46%	Refer to Page 2 of MFMA Circular No 71	
					Total Operating Expenditure	862 364 015	769 587 356		
					Taxation Expense	-	-		
					Total Capital Expenditure	514 354 550	235 926 286		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	
					PPE, Investment Property & Intangible Impairment	-	43 852		
					PPE at Carrying Value	2 064 487 323	1 632 893 035		
					IP at Carrying Value	2 645 961	2 733 845		
					Intangible Assets at Carrying Value	1 780 828	2 227 206		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		5.85%	5.26%	Refer to Page 4 of MFMA Circular No 71	
					Total Repairs and Maintenance Expenditure	120 857 876	86 018 288		
					PPE at Carrying Value	2 064 487 323	1 632 893 035		
					Investment Property at Carrying Value	2 645 961	2 733 845		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		74.22%	80.58%	Refer to Page 5 of MFMA Circular No 71	
					Gross Debtors Closing Balance	529 936 134	434 905 923		
					Gross Debtors Opening Balance	434 905 923	371 402 110		
					Bad Debts Written-off	-	-		
					Billed Revenue	368 591 636	326 991 861		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	Refer to Page 5 of MFMA Circular No 71	
					Consumer Debtors Bad Debts Written-off	-	-		
					Consumer Debtors Current Bad Debt Provision	76 409 816	55 848 213		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		132 Days	128 Days	Refer to Page 6 of MFMA Circular No 71	
					Gross Debtors	529 936 134	434 905 923		
					Bad Debts Provision	396 885 992	320 476 176		
					Billed Revenue	368 591 636	326 991 861		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		8 Months	10 Months	Refer to Page 7 of MFMA Circular No 71	
					Cash and Cash Equivalents	525 442 644	524 537 159		
					Unspent Conditional Grants	58 968 316	16 903 602		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	698 837 747	632 424 065		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		1.96	2.57	Refer to Page 7 of MFMA Circular No 71	
					Current Assets	722 701 618	661 435 103		
					Current Liabilities	369 439 342	257 133 630		

**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		0.00%	0.00%	Refer to Page 8 of MFMA Circular No 71	
					Interest Paid	-	-		
					Redemption	-	-		
					Total Operating Expenditure	862 364 015	769 587 356		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		0.00%	0.00%	Refer to Page 9 of MFMA Circular No 71	
					Total Debt	-	-		
					Total Operating Revenue	1 240 950 986	-		
					Operational Conditional Grants	374 349 598	319 290 064		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		100.00%	100.00%	Refer to Page 9 of MFMA Circular No 71	
					Cash and Cash Equivalents	525 442 644	524 537 159		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	-	-		
					Unspent Grants	58 968 316	16 903 602		
					Net Assets	2 340 343 536	1 961 756 565		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
					Accumulated Surplus	2 340 343 536	1 961 756 565		
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		28.70%	15.42%	Refer to Page 10 of MFMA Circular No 71	
					Total Operating Revenue	1 208 969 093	909 913 998		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	861 999 297	769 587 356		
					Taxation Expense	-	-		
2.	Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure /Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%		10.23%	10.05%	Refer to Page 10 of MFMA Circular No 71	
					Total Electricity Revenue	227 366 225	197 406 703		
					Total Electricity Expenditure	204 098 588	177 565 968		
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		53.44%	12.82%	Refer to Page 11 of MFMA Circular No 71	
					Total Water Revenue	398 598 218	193 149 769		
					Total Water Expenditure	185 603 045	168 387 196		
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		-91.25%	-85.48%	Refer to Page 12 of MFMA Circular No 71	
					Total Refuse Revenue	15 570 453	15 048 404		
					Total Refuse Expenditure	29 778 444	27 912 234		
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		33.99%	72.31%	Refer to Page 12 of MFMA Circular No 71	
					Total Sanitation and Waste Water Revenue	40 087 543	55 868 447		
					Total Sanitation and Waste Water Expenditure	26 462 343	15 471 039		



**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2016	2015		
B. Distribution Losses									
1.	Electricity Distribution Losses (Percentage)	((Number of Electricity Units Purchased and/or Generated - Number of Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		11.97%	21.39%	Refer to Page 13 of MFMA Circular No 71	
					Number of Units Purchased and/or Generated	206 284 079	199 261 035		
					Number of Units Sold	181 598 030	156 639 785		
2.	Water Distribution Losses (Percentage)	((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		29.42%	47.39%	Refer to Page 13 of MFMA Circular No 71	
					Number of Kilolitres Purchased and/or Purified	7 154 106	8 187 339		
					Number of Kilolitres Sold	5 049 115	4 307 465		
C. Revenue Management									
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		-0.07%	-13.32%	Refer to Page 14 of MFMA Circular No 71	
					Number of Active Debtors Accounts (Previous)	27 870	32 154		
					Number of Active Debtors Accounts (Current)	27 851	27 870		
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		33.72%	1.86%	Refer to Page 15 of MFMA Circular No 71	
					CPI	4.70%	6.60%		
					Total Revenue (Previous)	928 034 527	911 082 053		
					Total Revenue (Current)	1 240 950 986	928 034 527		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		15.48%	5.39%	Refer to Page 15 of MFMA Circular No 71	
					CPI	4.70%	6.60%		
					Total Revenue, excluding Capital Grants (Previous)	720 079 451	683 248 233		
					Total Revenue, excluding Capital Grants (Current)	831 531 050	720 079 451		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		58 Days	67 Days	Refer to Page 16 of MFMA Circular No 71	
					Trade Creditors	151 455 014	114 838 456		
					Contracted Services	28 844 404	63 255 721		
					Repairs and Maintenance	120 857 876	86 018 288		
					General Expenses	90 364 668	75 477 764		
					Bulk Purchases	196 551 593	169 305 609		
Capital Credit Purchases	514 354 550	229 023 306							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		70.60%	29.08%	Refer to Page 16 of MFMA Circular No 71	
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	608 853 037	223 826 427		
					Total Operating Expenditure	862 364 015	769 587 356		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		27.01%	28.17%	Refer to Page 17 of MFMA Circular No 71	
					Employee / Personnel Related Cost	213 228 681	198 930 704		
					Councillors Remuneration	19 703 859	17 832 310		
					Total Operating Expenditure	862 364 015	769 587 356		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		3.34%	8.22%	Refer to Page 17 of MFMA Circular No 71	
					Contracted Services	28 844 404	63 255 721		
					Total Operating Expenditure	862 364 015	769 587 356		
					Taxation Expense	-	-		

**APPENDIX H**  
**MOGALAKWENA MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016**

Ratio		Formula	Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
							2016	2015		
E. Grant Dependency										
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None			20.67%	11.77%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	106 311 281	27 774 441			
					Borrowings	-	-			
					Total Capital Expenditure	514 354 550	235 926 286			
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None			20.67%	11.77%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	106 311 281	27 774 441			
					Total Capital Expenditure	514 354 550	235 926 286			
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None			54.77%	55.30%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	1 240 950 986	928 034 527			
					Government Grant and Subsidies	783 769 534	527 245 141			
					Public Contributions and Donations	1 757 804	2 563 989			
					Capital Grants	409 419 936	207 955 076			
3. BUDGET IMPLEMENTATION										
A. Efficiency										
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%			91.00%	60.29%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	514 354 550	235 926 286			
					Budgeted Capital Expenditure	565 233 678	391 328 997			
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			96.15%	94.81%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Expenditure	862 364 015	769 587 356			
					Budgeted Operating Expenditure	896 887 027	811 710 748			
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			105.65%	89.54%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Revenue	1 240 950 986	928 034 527			
					Budgeted Operating Revenue	1 174 588 214	1 036 413 168			
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%			96.05%	95.73%	Refer to Page 21 of MFMA Circular No 71	
					Actual Service Charges and Property Rates Revenue	352 362 647	309 022 628			
					Budgeted Service Charges and Property Rates Revenue	366 871 388	322 811 161			
Interpretation of Results:										
	The green colour indicates that the result is within the norm and is acceptable.									
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									
	Data should be captured in the blue coloured cell to calculate a ratio.									
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.									